

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name St. Joseph County	County St. Joseph
Fiscal Year End December 31, 2006	Opinion Date June 4, 2007	Date Audit Report Submitted to State June 20, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

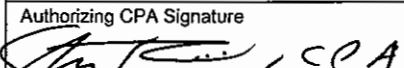
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe) Single Audit		<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836		
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI	Zip 48823
Authorizing CPA Signature 		Printed Name Steven R. Kirinovic, CPA		License Number 1101022020

St. Joseph County, Michigan

FINANCIAL STATEMENTS

December 31, 2006

St. Joseph County, Michigan

December 31, 2006

BOARD OF COMMISSIONERS

Monte Bordner	Chairperson
Robin Baker	Vice Chairperson
Eric Shafer	Commissioner
Gerald E. Loudenslager	Commissioner
John Dobberteen	Commissioner
Michael D. Dunlap	Commissioner
David Pueschel	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Judith K. West-Wing	Administrator
Phyllis E. Bainbridge	Treasurer
Pattie S. Bender	Clerk
Cynthia L. Jarratt	Register of Deeds
David Hassenger	Drain Commissioner
Douglas K. Fisher	Prosecuting Attorney
Matthew J. Lori	Sheriff

St. Joseph County, Michigan

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St. Joseph County, Michigan

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Principals

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of St. Joseph County
Centreville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of St. Joseph County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of St. Joseph County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the St. Joseph County Road Commission, which represents 80% of the total assets and 88% of the total revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the St. Joseph County Road Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of St. Joseph County, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2007 on our consideration of St. Joseph County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Joseph County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 4, 2007



COUNTY ADMINISTRATOR

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Management's Discussion and Analysis

As management of St. Joseph County, we offer this narrative overview and analysis of the financial activities of the County, including limited information pertaining to the separately audited Road Commission for the year ended December 31, 2006. For more detailed information, the Road Commission's separately issued financial statements may be obtained from its administrative offices.

Financial Highlights

- The assets of the County primary government exceeded its liabilities at the close of the fiscal year by approximately \$37.5 million (*net assets*). Of this amount, approximately \$18.7 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- The government's total net assets increased by approximately \$2.7 million, or 7.8 percent over the prior year.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$11.7 million, an increase of approximately \$1.7 million or 17.0 percent more than the prior year. Of this total, approximately \$11.4 million or 97.4 percent is available for spending (*unreserved and undesignated fund balance*), however, the major portion of this amount (approximately \$8.0 million) is available only for the special revenue fund purposes from which these funds are derived.
- At the end of the fiscal year, unreserved and undesignated fund balance for the General Fund was approximately \$3.4 million, an amount equal to 25.6 percent of total General Fund expenditures and transfers.
- The County's total net bonded debt, including that of the Drain Commission and Board of Public Works component units, increased by a net of \$3,546 during the current fiscal year. New bond issues included a \$427,000 Drain note.

Overview of the Financial Statements

The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets indicate whether the financial position of the County is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of St. Joseph County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, health and welfare, community and economic development, recreation and cultural functions. The business-type activities primarily represent the administration of the delinquent property tax system.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also four (4) legally separate entities: the St. Joseph County Road Commission, the Board of Public Works, the Drainage Districts, and the Economic Development Corporation. Financial information for the *component units* is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 38 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Central Dispatch, and Revenue Sharing Reserve fund, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General, special revenue, capital projects, internal service, and enterprise funds. A budgetary comparison schedule for the required major funds has been provided herein to demonstrate compliance with the County General, Central Dispatch, and Revenue Sharing Reserve funds budgets.

Proprietary funds. The County maintains two types of proprietary funds: enterprise and internal service. *Enterprise funds* report the same functions as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Tax Payment Fund which is considered to be a major fund. Data from the other nonmajor enterprise funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

Internal service funds report activities that provide supplies or service to the County's other operations, such as the Flexible Benefit Insurance Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information, including combining statements of the nonmajor governmental funds and internal service funds information.

Government-wide Financial Analysis

Statement of Net Assets

St. Joseph County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$14,302,060	\$17,220,878	\$15,093,846	\$14,057,984	\$29,395,906	\$31,278,862
Capital assets	10,681,626	10,736,670	6,508	7,585	10,688,134	10,744,255
Total assets	24,983,686	27,957,548	15,100,354	14,065,569	40,084,040	42,023,117
Liabilities						
Current	2,527,185	7,124,235	22,762	3,213	2,549,947	7,127,448
Non-current	78,879	97,205	-	-	78,879	97,205
Total liabilities	2,606,064	7,221,440	22,762	3,213	2,628,826	7,224,653
Net Assets						
Invested in capital assets-- net of related debt	10,661,421	10,711,373	6,508	7,585	10,667,929	10,718,958
Restricted	8,107,017	7,076,757	-	-	8,107,017	7,076,757
Unrestricted	3,609,184	2,947,978	15,071,084	14,054,771	18,680,268	17,002,749
Total net assets	\$22,377,622	\$20,736,108	\$15,077,592	\$14,062,356	\$37,455,214	\$34,798,464

As noted previously, net assets serve over time as a useful indicator of a government's financial position. In the case of St. Joseph County, assets exceeded liabilities by approximately \$37.5 million at the close of the fiscal year. This amount compares favorably with the prior year where net assets totaled \$34.8 million.

The County's net assets include approximately \$10.7 million in capital assets comprised of land, buildings, vehicles and equipment less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Certain other limitations on the use of net assets apply due primarily to legal restrictions. These restricted net assets total approximately \$8.1 million. The remaining balance of unrestricted net assets (\$18.7 million or 49.9 percent) may be used to meet the government's ongoing obligations.

Statement of Activities

St. Joseph County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenue:						
Charges for services	\$ 3,918,842	\$ 3,637,463	\$ 651,859	\$ 654,699	\$ 4,570,701	\$ 4,292,162
Operating grants and contributions	4,028,656	4,018,459	2,134	1,600	4,030,790	4,020,059
Capital grants and contributions	3,000	-	-	-	3,000	-0-
General revenues:						
Property taxes	11,509,858	10,893,097	-	-	11,509,858	10,893,097
Investment earnings	554,240	342,501	494,539	383,995	1,048,779	726,496
Miscellaneous	80,815	37,124	82	340	80,897	37,464
Transfers	(22,000)	(1,583)	-	7,913	(22,000)	6,330
Total revenues	<u>20,073,411</u>	<u>18,927,061</u>	<u>1,148,614</u>	<u>1,048,547</u>	<u>21,222,025</u>	<u>19,975,608</u>
Expenses						
General government	8,528,679	8,370,899	-	-	8,528,679	8,370,899
Public safety	5,955,404	5,599,944	-	-	5,955,404	5,599,944
Public works	312,293	304,687	-	-	312,293	304,687
Health and welfare	3,238,622	3,116,428	-	-	3,238,622	3,116,428
Comm. and Econ. Development	94,755	162,447	-	-	94,755	162,447
Recreation and Culture	279,271	266,881	-	-	279,271	266,881
Other	22,040	29,630	133,378	66,548	155,418	96,178
Interest on long-term debt	833	512	-	-	833	512
Total expenses	<u>18,431,897</u>	<u>17,851,428</u>	<u>133,378</u>	<u>66,548</u>	<u>18,565,275</u>	<u>17,917,976</u>
Increase in net assets	1,641,514	1,075,633	1,015,236	981,999	2,656,750	2,057,632
Net assets, beginning of year	<u>20,736,108</u>	<u>19,660,475</u>	<u>14,062,356</u>	<u>13,080,357</u>	<u>34,798,464</u>	<u>32,740,832</u>
Net assets, end of year	<u>\$22,377,622</u>	<u>\$20,736,108</u>	<u>\$15,077,592</u>	<u>\$14,062,356</u>	<u>\$37,455,214</u>	<u>\$34,798,464</u>

The preceding table shows that the net assets of governmental activities increased by approximately \$1.6 million or 7.7 percent during 2006 as compared to approximately \$1.1 million in the prior year.

Business-type Activities

Net assets of the County's business-type activities increased by approximately \$1.0 million. Net assets of the Tax payment fund increased by approximately \$941,000 while net assets of the other nonmajor enterprise funds increased by approximately \$74,000.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$11.7 million. This represents an increase of approximately \$1.7 million in comparison with the prior year. A \$1.0 million increase in fund balance is explained by the final year phase-in of the Revenue Sharing Reserve, which provides an alternative to the elimination of State Revenue Sharing. The General Fund also increased its fund balance by approximately \$686,000.

Approximately \$11.4 million or 97.4 percent of total fund balance constitutes *unreserved and undesignated fund balance*, which is available for spending. However approximately \$8.0 million of this amount may only be used for special revenue fund purposes. The remainder of fund balance is either *reserved* to indicate that it is not available for new spending (approximately \$.2 million), or is *designated* to support capital and other projects (approximately \$.1 million).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the total fund balance was approximately \$3.5 million, while the unreserved/undesignated fund balance of the General Fund was approximately \$3.4 million, an amount equal to 25.6 percent of total General Fund expenditures. This level of General Fund unreserved/undesignated fund balance is consistent with recognized benchmarks that governments should strive to maintain.

The fund balance of the County's General Fund increased by approximately \$686,000 during the current fiscal year, and compares favorably with the approximately \$328,000 decrease in the General Fund balance reported during the prior year.

The Revenue Sharing Reserve Fund has a total fund balance of approximately \$4.5 million. As indicated above this recently established fund, authorized by shifting forward the collection date for the County portion of the property tax levy from December to July, is intended to provide a reserve from which the County may draw amounts to replace revenues previously received from the now suspended State Revenue Sharing program. The current fund balance represents the last year of a three year phase-in that ultimately provided deposits totaling approximately \$6.8 million to this fund. The balance in this fund is projected to be exhausted in fiscal year 2009 or 2010 at which time the County is to revert to an alternate State sponsored revenue source.

General Fund Budgetary Highlights

The original General Fund budget of \$13.7 million increased slightly to \$13.8 million after revisions; however, actual expenditures totaled only \$13.3 million for a net savings of approximately \$529,000 or 3.9 percent under the revised budget. Expenditure savings came from many departments. Personnel savings resulted from family and medical leaves. Postage and supplies were under budget. Also, approximately \$85,000 in contingency funds remained unexpended.

Actual revenues came in at just over \$13.9 million or within 6.6 percent of the revised budget of \$13.1 million. (Approximately \$700,000 was budgeted from fund balance to match revenues with expenditures.) Interest earned on investments was more than anticipated as was current property tax revenues.

Capital Asset and Debt Administration

Capital Assets - At the end of 2006, the County had invested \$10,688,134 for the primary government and \$2,009,743 for the component units (excluding the Road Commission, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$9,308,901 for the primary government. Depreciation charges for the fiscal year totaled \$468,824 for the primary government and \$50,917 for the component units.

The largest expenditure of approximately \$167,000 was incurred by the Waste Management Fund in a dam restoration project.

	Governmental Activities	Business- type Activities	Component Units Drains	Component Unit Economic Development	Total
Land and Improvements, net	\$ 1,108,580	\$ -	\$ -	\$ -	\$ 1,108,580
Buildings, net	7,770,256	-	-	-	7,770,256
Vehicles and Equipment, net	1,802,790	6,508	-	1,463	1,810,761
Drains, net	-	-	2,008,280	-	2,008,280
Capital assets, net	<u>\$ 10,681,626</u>	<u>\$ 6,508</u>	<u>\$ 2,008,280</u>	<u>\$ 1,463</u>	<u>\$ 12,697,877</u>

Long-term Debt - As of December 31, 2006, the County Primary Government had \$20,205 in truck loans outstanding for the primary government. This level of net obligation is \$5,092 less than the obligation recorded as of December 31, 2005. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Board of Public Works component unit debt. The Drain Commission administers debt for various local drainage districts and water and sewer systems for local municipalities in St. Joseph County. All drain debt is payable out of assessments against the drainage districts or by contractual agreements with local units of government. The County Commission by a majority vote of 2/3 of its members may pledge the full faith and credit of the County for payment of a Drainage District note. The following table excludes the County Road Commission.

Outstanding Debt as of December 31, 2006:

Primary Government	<u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2006</u>
Governmental Activities				
Loans Payable	\$ 25,297	\$ -	\$ 5,092	\$ 20,205
Component Units				
Board of Public Works				
Water and Sewer Bonds	4,240,000	-	301,625	3,938,375
Drainage Districts				
Drain Bonds and Notes	<u>922,690</u>	<u>427,000</u>	<u>116,737</u>	<u>1,232,953</u>
Total Component Units	<u>5,162,690</u>	<u>427,000</u>	<u>418,362</u>	<u>5,171,328</u>
Total Reporting Entity	<u>\$ 5,187,987</u>	<u>\$ 427,000</u>	<u>\$ 423,454</u>	<u>\$ 5,191,533</u>
Debt Limit (10% of SEV)				<u>\$ 219,769,182</u>
Available Statutory Debt Limit				<u>\$ 214,577,649</u>

Activity for the Component Units and Drain Funds during fiscal year 2006 included the issuance of \$427,000 in drainage district notes.

A more detailed discussion of the County's long-term debt obligations is presented in Note G to the financial statements.

Limitations on Debt:

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2006 was approximately \$2.197 billion; therefore the County's debt limitation was approximately \$220 million. The County remains well below its legal debt limit by over \$214 million.

ST. JOSEPH COUNTY GOVERNMENT ECONOMIC OUTLOOK:

- The Revenue Sharing Reserve Fund was established by the State in order to replace State Revenue Sharing payments to counties. This fund will be exhausted in 2010. A source of revenue to replace these funds will be needed for 2010 or cuts in services will be required.
- The continued uncertainty over the State's budget situation may lead to decreases in other areas of State funding.
- For the third year in a row very little is budgeted for capital projects.

These factors were considered in adopting the Budget for 2007. A usage of \$421,601 of the County's fund balance was included to balance the General Fund Budget for 2007. The county continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE COUNTY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the St. Joseph County Treasurer's Office at (269) 467-5527 or St. Joseph County Finance at (269) 467-5631 or via email, careyd@stjosephcountymi.org.

BASIC FINANCIAL STATEMENTS

St. Joseph County, Michigan

STATEMENT OF NET ASSETS

December 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 376,214	\$ 1,311,555	\$ 1,687,769	\$ 1,502,396
Investments	9,094,441	11,675,931	20,770,372	-
Receivables	3,824,190	2,106,360	5,930,550	3,195,514
Due from other governmental units	747,130	-	747,130	10,834
Due from individuals	12,383	-	12,383	-
Internal balances	50,000	-	50,000	-
Inventories	47,516	-	47,516	755,843
Prepays	150,186	-	150,186	-
Current portion of lease receivable	-	-	-0-	279,832
Total current assets	14,302,060	15,093,846	29,395,906	5,744,419
Noncurrent assets				
Lease receivable	-	-	-0-	3,723,375
Capital assets, net	10,681,626	6,508	10,688,134	29,509,570
Total noncurrent assets	10,681,626	6,508	10,688,134	33,232,945
TOTAL ASSETS	24,983,686	15,100,354	40,084,040	38,977,364
LIABILITIES				
Current liabilities				
Accounts payable	356,952	20,411	377,363	154,122
Accrued liabilities	836,741	2,351	839,092	49,598
Accrued interest payable	-	-	-0-	86,289
Due to governmental units	-	-	-0-	68,779
Deferred revenue	1,328,166	-	1,328,166	1,831,488
Notes payable	-	-	-0-	80,000
Current portion of compensated absences	-	-	-0-	30,000
Current portion of long-term debt	5,326	-	5,326	560,457
Total current liabilities	2,527,185	22,762	2,549,947	2,860,733
Noncurrent liabilities				
Advance from State	64,000	-	64,000	-
Compensated absences	-	-	-0-	100,800
Noncurrent portion of long-term debt	14,879	-	14,879	4,972,007
Total noncurrent liabilities	78,879	-0-	78,879	5,072,807
TOTAL LIABILITIES	2,606,064	22,762	2,628,826	7,933,540
NET ASSETS				
Invested in capital assets, net of related debt	10,661,421	6,508	10,667,929	27,835,481
Restricted for:				
Public safety	1,421,550	-	1,421,550	-
Debt service	-	-	-0-	220,107
Other purposes	6,685,467	-	6,685,467	2,988,236
Unrestricted	3,609,184	15,071,084	18,680,268	-
TOTAL NET ASSETS	\$ 22,377,622	\$ 15,077,592	\$ 37,455,214	\$ 31,043,824

See accompanying notes to financial statements.

St. Joseph County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					Component Units
	Primary Government					
	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:						
General government						
Public safety	\$ 8,528,679	\$ 1,781,935	\$ 2,336,609	\$ 3,000	\$ (4,407,135)	\$ -
Public works	5,955,404	828,673	1,041,783	-	(4,084,948)	-
Health and welfare	312,293	-	2,401	-	(309,892)	-
Community and economic development	3,238,622	1,221,724	566,547	-	(1,450,351)	-
Recreation and cultural	94,755	24,585	67,513	-	(2,657)	-
Other	279,271	61,925	13,803	-	(203,543)	-
Interest long-term debt	22,040	-	-	-	(22,040)	-
	833	-	-	-	(833)	-
Total governmental activities	18,431,897	3,918,842	4,028,656	\$ 3,000	(10,481,399)	-0-
Business-type activities:						
Tax Payment Fund	-	447,686	-	-	447,686	-
Other	133,378	204,173	2,134	-	72,929	-
Total business-type activities	133,378	651,859	2,134	-0-	520,615	-0-
Total primary government	\$ 18,565,275	\$ 4,570,701	\$ 4,030,790	\$ 3,000	(9,960,784)	-0-
Component units:						
Drainage Districts	200,042	-	-	423,192	-	223,150
Board of Public Works	192,516	-	-	192,816	-	300
Economic Development Corporation	203,018	-	192,288	-	-	(10,730)
Road Commission	6,196,035	476,308	4,845,548	-	-	(874,179)
Total component units	\$ 6,791,611	\$ 476,308	\$ 5,037,836	\$ 616,008	-0-	(661,459)
General revenues:						
Property taxes						
Investment earnings					11,509,858	1,014,444
Miscellaneous					554,240	59,545
Transfers - net					80,815	34,079
					(22,000)	-
Total general revenues and transfers					12,122,913	1,108,068
Change in net assets					1,641,514	446,609
Restated net assets, beginning of the year					20,736,108	30,597,215
Net assets, end of the year					\$ 22,377,622	\$ 31,043,824
					\$ 15,077,592	\$ 37,455,214

See accompanying notes to financial statements.

St. Joseph County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2006

	General	Central Dispatch	Revenue Sharing Reserve
ASSETS			
Cash and cash equivalents	\$ (6,498,539)	\$ 617,583	\$ 2,207,687
Investments	9,094,441	-	-
Accounts receivable	3,785	-	-
Taxes receivable	230,149	1,165,733	2,252,013
Interest receivable	58,994	-	-
Due from other governmental units			
Federal/State	257,280	-	-
Local	174,695	-	-
Due from individuals	12,383	-	-
Due from other funds	567,047	-	-
Prepays	107,845	9,154	-
Inventories	41,067	-	-
TOTAL ASSETS	\$ 4,049,147	\$ 1,792,470	\$ 4,459,700
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 253,468	\$ 1,282	\$ -
Accrued liabilities	109,572	16,077	-
Due to other funds	-	-	-
Deferred revenue	162,433	1,165,733	-
Advance from State	-	-	-
TOTAL LIABILITIES	525,473	1,183,092	-0-
FUND BALANCES			
Reserved for:			
Prepays	107,845	9,154	-
Inventories	41,067	-	-
Cemetery maintenance	-	-	-
Unreserved			
Designated for:			
Capital projects	-	-	-
Undesignated, reported in:			
General fund	3,374,762	-	-
Special revenue funds	-	600,224	4,459,700
TOTAL FUND BALANCES	3,523,674	609,378	4,459,700
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,049,147	\$ 1,792,470	\$ 4,459,700

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,408,560	\$ (264,709)
-	9,094,441
96,058	99,843
-	3,647,895
-	58,994
268,318	525,598
46,837	221,532
-	12,383
-	567,047
31,796	148,795
6,449	47,516
<u>\$ 3,858,018</u>	<u>\$ 14,159,335</u>
\$ 102,202	\$ 356,952
51,849	177,498
517,047	517,047
-	1,328,166
64,000	64,000
<u>735,098</u>	<u>2,443,663</u>
31,796	148,795
6,449	47,516
15,397	15,397
117,356	117,356
-	3,374,762
<u>2,951,922</u>	<u>8,011,846</u>
<u>3,122,920</u>	<u>11,715,672</u>
<u>\$ 3,858,018</u>	<u>\$ 14,159,335</u>

St. Joseph County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2006

Total fund balance - governmental funds \$ 11,715,672

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 19,979,379	
Accumulated depreciation is	<u>(9,297,753)</u>	
Capital assets, net		10,681,626

Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds		529
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Long-term liabilities are not due and payable in the current period and therefore are not
reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end
consist of:

Direct County obligations	<u>(20,205)</u>	
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Net assets of governmental activities \$ 22,377,622

See accompanying notes to financial statements.

St. Joseph County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	General	Central Dispatch	Revenue Sharing Reserve
REVENUES			
Taxes	\$ 7,594,902	\$ 1,135,346	\$ 2,252,013
Licenses and permits	87,658	-	-
Intergovernmental	1,779,620	-	-
Charges for services	2,228,768	-	-
Fines and forfeits	227,160	-	-
Interest and rents	539,109	12,192	-
Other	147,525	19,609	-
TOTAL REVENUES	12,604,742	1,167,147	2,252,013
EXPENDITURES			
Current			
General government	7,951,669	-	-
Public safety	3,737,724	987,882	-
Public works	60,769	-	-
Health and welfare	730,319	-	-
Community and economic development	20,743	-	-
Recreation and cultural	-	-	-
Other	22,040	-	-
Capital outlay	-	40,472	-
Debt service	-	-	-
TOTAL EXPENDITURES	12,523,264	1,028,354	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	81,478	138,793	2,252,013
OTHER FINANCING SOURCES (USES)			
Transfers in	1,354,886	-	-
Transfers out	(750,311)	(15,000)	(1,245,190)
TOTAL OTHER FINANCING SOURCES (USES)	604,575	(15,000)	(1,245,190)
NET CHANGE IN FUND BALANCES	686,053	123,793	1,006,823
Fund balances, beginning of year	2,837,621	485,585	3,452,877
Fund balances, end of year	<u>\$ 3,523,674</u>	<u>\$ 609,378</u>	<u>\$ 4,459,700</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 527,597	\$ 11,509,858
7,710	95,368
2,391,234	4,170,854
1,000,852	3,229,620
59,145	286,305
11,051	562,352
73,920	241,054
4,071,509	20,095,411
322,386	8,274,055
1,060,211	5,785,817
251,524	312,293
2,497,080	3,227,399
74,012	94,755
241,392	241,392
-	22,040
378,168	418,640
5,925	5,925
4,830,698	18,382,316
(759,189)	1,713,095
875,091	2,229,977
(241,476)	(2,251,977)
633,615	(22,000)
(125,574)	1,691,095
3,248,494	10,024,577
\$ 3,122,920	\$ 11,715,672

St. Joseph County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Net change in fund balances - total governmental funds **\$ 1,691,095**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 567,348	
Depreciation expense	(467,278)	
Net effect of disposals of capital assets	<u>(155,114)</u>	
Excess of depreciation expense and other items over capital outlay		(55,044)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net expense from governmental activities accounted for in Internal Service Funds	371
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces the long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets.

Loan principal retirement	<u>5,092</u>	
		<u>5,092</u>

Change in net assets of governmental activities	<u><u>\$ 1,641,514</u></u>
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See accompanying notes to financial statements.

St. Joseph County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	Business-type Activities			Governmental Activities
	Tax Payment Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,182,635	\$ 128,920	\$ 1,311,555	\$ 640,923
Investments	11,675,931	-	11,675,931	-
Receivables				
Accounts	20,037	634	20,671	17,458
Delinquent taxes	1,951,644	-	1,951,644	-
Interest	134,045	-	134,045	-
Prepays	-	-	-0-	1,391
Total current assets	14,964,292	129,554	15,093,846	659,772
Noncurrent assets				
Capital assets, net	-	6,508	6,508	-
TOTAL ASSETS	14,964,292	136,062	15,100,354	659,772
LIABILITIES				
Current liabilities				
Accounts payable	19,273	1,138	20,411	-
Accrued liabilities	-	2,351	2,351	659,243
TOTAL LIABILITIES	19,273	3,489	22,762	659,243
NET ASSETS				
Invested in capital assets	-	6,508	6,508	-
Unrestricted	14,945,019	126,065	15,071,084	529
TOTAL NET ASSETS	\$14,945,019	\$ 132,573	\$15,077,592	\$ 529

See accompanying notes to financial statements.

St. Joseph County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2006

	Business-type Activities			Governmental Activities
	Tax Payment Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
OPERATING REVENUES				
Interest and penalties on delinquent taxes	\$ 272,568	\$ -	\$ 272,568	\$ -
Intergovernmental	-	2,134	2,134	-
Charges for services	175,118	163,253	338,371	1,734,353
Rent	-	40,920	40,920	-
Other	-	82	82	-
TOTAL OPERATING REVENUES	447,686	206,389	654,075	1,734,353
OPERATING EXPENSES				
Personal services	-	99,367	99,367	-
Employee benefits	-	-	-	1,733,982
Operating supplies	-	32,465	32,465	-
Depreciation	-	1,546	1,546	-
TOTAL OPERATING EXPENSES	-0-	133,378	133,378	1,733,982
OPERATING INCOME	447,686	73,011	520,697	371
NONOPERATING REVENUES				
Interest revenue	493,743	796	494,539	-
CHANGE IN NET ASSETS	941,429	73,807	1,015,236	371
Net assets, beginning of year	14,003,590	58,766	14,062,356	158
Net assets, end of year	<u>\$ 14,945,019</u>	<u>\$ 132,573</u>	<u>\$ 15,077,592</u>	<u>\$ 529</u>

See accompanying notes to financial statements.

St. Joseph County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Business-type Activities			Governmental Activities
	Tax Payment Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 632,255	\$ 205,405	\$ 837,660	\$ 1,725,831
Cash paid to suppliers	19,153	(107,249)	(88,096)	-
Cash paid for employee benefits	-	-	-	(1,758,178)
Cash received from local units	-	2,134	2,134	-
Cash paid to employees	-	(24,187)	(24,187)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	651,408	76,103	727,511	(32,347)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital purchases	-	(469)	(469)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	493,743	796	494,539	-
Purchase of investments	(11,675,931)	-	(11,675,931)	-
Maturity of investments	10,253,380	-	10,253,380	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(928,808)	796	(928,012)	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(277,400)	76,430	(200,970)	(32,347)
Cash and cash equivalents, beginning of year	1,460,035	52,490	1,512,525	673,270
Cash and cash equivalents, end of year	<u>\$ 1,182,635</u>	<u>\$ 128,920</u>	<u>\$ 1,311,555</u>	<u>\$ 640,923</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income	\$ 447,686	\$ 73,011	\$ 520,697	\$ 371
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	-	1,546	1,546	-
(Increase) decrease in receivables	184,569	1,150	185,719	(8,522)
Increase (decrease) in accounts payable	19,153	(213)	18,940	-
Increase (decrease) in accrued liabilities	-	609	609	(24,196)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 651,408</u>	<u>\$ 76,103</u>	<u>\$ 727,511</u>	<u>\$ (32,347)</u>

See accompanying notes to financial statements.

St. Joseph County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	Agency Funds	Pension Fund
ASSETS		
Cash and cash equivalents	\$ 1,986,964	\$ 199,536
Investments	-	17,239,419
Due from other governmental units	316,897	-
TOTAL ASSETS	\$ 2,303,861	\$ 17,438,955
LIABILITIES		
Undistributed collections payable	\$ 1,674,293	\$ -
Due to other governmental units		
Federal/State	96,402	-
Local	170	-
Due to individuals and agencies	532,996	-
TOTAL LIABILITIES	\$ 2,303,861	-0-
NET ASSETS		
Held in trust for pension benefits		\$ 17,438,955

See accompanying notes to financial statements.

St. Joseph County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2006

	<u>Pension Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 717,016
Net increase in fair value of investments	1,112,903
Gains on sales of investments	<u>122,994</u>
Net investment income	1,952,913
Contributions	
Employer	423,520
Employee	<u>99,110</u>
Total additions	2,475,543
DEDUCTIONS	
Benefit payments	390,509
Refunds of contributions	6,754
Administrative expenses	<u>55,602</u>
Total deductions	<u>452,865</u>
CHANGE IN NET ASSETS	2,022,678
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>15,416,277</u>
End of year	<u><u>\$ 17,438,955</u></u>

See accompanying notes to financial statements.

St. Joseph County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2006

	Road Commission	Board of Public Works	Drainage Districts
ASSETS			
Current assets			
Cash and cash equivalents	\$ 853,299	\$ 391	\$ 611,216
Receivables	2,036,210	-	1,159,304
Due from other governmental units	-	-	-
Inventory	755,843	-	-
Current portion of lease receivable	-	279,832	-
Total current assets	3,645,352	280,223	1,770,520
Noncurrent assets			
Lease receivable	-	3,723,375	-
Capital assets, net of accumulated depreciation	27,499,827	-	2,008,280
Total noncurrent assets	27,499,827	3,723,375	2,008,280
TOTAL ASSETS	31,145,179	4,003,598	3,778,800
LIABILITIES			
Current liabilities			
Accounts payable	56,284	-	84,504
Accrued liabilities	48,761	-	-
Accrued interest	-	64,832	21,457
Due to governmental units	-	-	68,779
Deferred revenue	1,052,129	-	779,359
Notes payable	-	-	80,000
Current portion of compensated absences	30,000	-	-
Current portion of long-term debt	170,798	215,000	174,659
Total current liabilities	1,357,972	279,832	1,208,758
Noncurrent liabilities			
Noncurrent portion of compensated absences	100,800	-	-
Noncurrent portion of long-term debt	190,338	3,723,375	1,058,294
Total noncurrent liabilities	291,138	3,723,375	1,058,294
TOTAL LIABILITIES	1,649,110	4,003,207	2,267,052
NET ASSETS			
Invested in capital assets, net of related debt	27,138,691	-	695,327
Restricted for other purposes	2,357,378	391	596,314
Restricted for debt service	-	-	220,107
TOTAL NET ASSETS	\$ 29,496,069	\$ 391	\$ 1,511,748

See accompanying notes to financial statements.

Economic Development Corporation	Total Component Units
\$ 37,490	\$ 1,502,396
-	3,195,514
10,834	10,834
-	755,843
-	279,832
48,324	5,744,419
-	3,723,375
1,463	29,509,570
1,463	33,232,945
49,787	38,977,364
13,334	154,122
837	49,598
-	86,289
-	68,779
-	1,831,488
-	80,000
-	30,000
-	560,457
14,171	2,860,733
-	100,800
-	4,972,007
-0-	5,072,807
14,171	7,933,540
1,463	27,835,481
34,153	2,988,236
-	220,107
\$ 35,616	\$ 31,043,824

St. Joseph County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Drainage Districts	\$ 200,042	\$ -	\$ -	\$ 223,150
Board of Public Works	192,516	-	-	300
Economic Development Corporation	203,018	-	192,288	(10,730)
Road Commission	6,196,035	476,308	4,845,548	(874,179)
TOTALS	\$ 6,791,611	\$ 476,308	\$ 5,037,836	\$ 616,008
General revenues				
Property taxes				1,014,444
Investment earnings				59,545
Miscellaneous				34,079
Total general revenues and transfers				1,108,068
CHANGE IN NET ASSETS				
Restated net assets, beginning of year				446,609
Net assets, end of year				30,597,215
				\$ 31,043,824

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of St. Joseph, Michigan, was incorporated in 1829, and covers an area of approximately 516 square miles with the County seat located in the Village of Centreville. The County operates under an elected Board of Commissioners and provides services to its more than 62,984 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of St. Joseph County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities are in substance, part of the County's operations so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

The following funds are reported on the fiscal year-end of September 30, 2006:

<u>Fund Name</u>	<u>Fund Type</u>
Commission on Aging	Special Revenue Fund
Victims Rights Advocate	Special Revenue Fund
Community Corrections Advisory Board	Special Revenue Fund
Community Corrections Program	Special Revenue Fund
Secondary Road Patrol	Special Revenue Fund
Three Rivers Community Center	Enterprise Fund

2. Blended Component Unit

The St. Joseph County Department of Human Services is governed by a three (3) member Board. The Board consists of two (2) members appointed by the County Board of Commissioners and one (1) State appointed member. The Board is responsible for establishing policies and the operational oversight of the local administration of the State of Michigan Social Welfare program. Although the employees of the St. Joseph County Family Independence Agency are employed by the State of Michigan and substantially all the programs are financed by the State, State law requires the local activities to be "blended" with the local primary government.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the nature and significance of the relationship between these entities and St. Joseph County is such that exclusion of these entities would render the financial statements misleading or incomplete.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The St. Joseph County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The three (3) Board Members of the Road Commission are appointed by the St. Joseph County Board of Commissioners. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office.

The St. Joseph County Board of Public Works (BPW) is a seven (7) member Board comprised of the Drain Commissioner, a County Commissioner, and five (5) members selected by the County Board of Commissioners. The Board is under the general control of the County Board of Commissioners. The Board can acquire, improve, operate, and maintain water and sewage disposal systems for local units of government. Projects are initiated when the local unit requests the assistance of the BPW in organizing a project. Usually projects are financed by the sale of bonds upon final approval by the County Board of Commissioners as recommended by the BPW. The County must sell the bonds and pledge its full faith and security for payment of principal and interest. Special assessments are levied by the local units of government on benefited properties and are forwarded to the County for payment of principal and interest.

The Drainage Districts in the County come under the jurisdiction of the St. Joseph County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without going through the Municipal Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance.

The St. Joseph County Economic Development Corporation (EDC) is a fifteen (15) member board appointed by the County Board of Commissioners. The EDC may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, such taxes would be levied under the taxing authority of the County.

4. Joint Ventures

The County participates in the following activities, which are considered to be joint ventures in relation to the County due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Branch-Hillsdale-St. Joseph Community Health Agency - The County is a member of the Branch-Hillsdale-St. Joseph Community Health Agency, which is a joint venture between St. Joseph, Branch, and Hillsdale Counties. The Community Health Agency has representation and provides services to St. Joseph, Branch, and Hillsdale Counties. Each County provides annual appropriations and passes through the statutory amounts of cigarette tax funding to subsidize operations. The current funding formula approved by the District Health Board requires Branch, Hillsdale, and St. Joseph Counties to provide 30, 30, and 40 percent, respectively.

St. Joseph County is responsible to fund approximately 40 percent of the required local contribution to cover operational costs. For the year ended December 31, 2006, the County contributed \$401,030 to cover its share of operational costs. The treasury function for the Branch-Hillsdale-St. Joseph District Health Agency rests with the Branch County Treasurer.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Joint Ventures - continued

The financial activities of the Branch-Hillsdale-St. Joseph Community Health Agency are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended September 30, 2006, are available at the Agency's administrative offices. As of September 30, 2006, the Agency had total net assets of \$877,683.

5. Jointly Governed Organizations

The Region III C Area Agency on Aging provides comprehensive services to older individuals residing in St. Joseph and Branch Counties. Operating revenues are derived from Federal, State, and local governments as well as fees for services. The Region III C Area Agency on Aging is governed by a seven (7) member Board appointed by the Board of Commissioners of the two (2) Counties it services. A copy of Region III C Area Agency on Aging's audit can be obtained at their Administrative offices.

St. Joseph County, in conjunction with Kalamazoo County, has formed a Workforce Development Board called the Kalamazoo-St. Joseph MWA for purposes of detailing and designating functions and responsibilities related to administration of job training and workforce development programs. St. Joseph County appoints six (6) of the twenty-eight (28) members. A copy of the MWA's audited financial statements can be obtained at their Administrative offices.

6. Related Organizations

Community Mental Health Services of St. Joseph County - The Community Mental Health Services of St. Joseph County (Board) operates under section 205 of the Michigan Mental Health Code. This organization is an authority in accordance with the Code and is a completely separate unit of government. Their audit can be obtained at their administrative offices. The Board provides funding for services in the area of mental illness, developmental disabilities, and other related mental health needs for the residents of the County of St. Joseph. For the year ended December 31, 2006, the County's contribution to Mental Health Services was \$192,980.

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Central Dispatch Fund is used to report central dispatch services that are financed primarily by taxes and expenditures within the fund all to be used for the operation of the system.
- c. The Revenue Sharing Reserve Fund was established in 2004 to account for the shift of State Revenue Sharing dollars from State to local funding.
- d. The Tax Payment Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

8. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

9. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Basis of Accounting - continued

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, mutual funds, and time certificates with an original maturity of 90 days or less.

11. Investments

Investments consist of certificates of deposit, Pension securities, and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

12. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

13. Inventories

Inventories of the Central Service (General Fund) and the Commission on Aging Fund consist of miscellaneous consumer products on hand for resale, which are stated at the lower of first-in, first-out cost or market.

Inventory of the Road Commission (component unit) consist of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are stated at average cost determined on a first-in, first-out method, except for road materials, which are determined on the average cost method, and are not in excess of market value.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Lease Receivable

The County has irrevocably pledged its full faith and credit as collateral for certain water and sewer system bonds. These projects are administered by the St. Joseph County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds. All future amounts due for bond principal and an additional amount for the amount of accrued interest payable has been recorded as a lease receivable at the government-wide level based on guidance from MCGAA Statement 10, as amended. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations and amounts to be collected subsequently which have been reported as noncurrent.

15. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$300 or more and an estimated useful life of more than one year. Drain infrastructure with individual cost of \$50,000 or greater will be capitalized.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 30 years
Buildings and improvements	10 - 50 years
Equipment	3 - 7 years
Vehicles	5 years
Drain infrastructure	40 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, bridges, and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Road Commission as assets with an initial cost of \$5,000 or more and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund column.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Capital Assets - continued

ROAD COMMISSION - COMPONENT UNIT - CONTINUED

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund of the Road Commission.

Depreciation is recorded over the estimated useful lives (ranging from five to fifty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

Buildings and improvements	40 years
Equipment	5 - 8 years
Infrastructure	8 - 50 years

16. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

17. Accrued Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Compensated absences of the primary government that are allowed to accumulate are charged to operation in the Flexible Benefits Insurance Fund (an Internal Service fund) as the benefits accrue.

Under existing general Road Commission rules and regulations and its Labor Agreement, all regular full-time employees are eligible for paid leave in varying amounts based on number of years of service completed by each employee as of the preceding calendar year.

18. Deferred Revenue

Deferred revenue consists of amounts related to long-term special assessment tax receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Internal Service Funds are used to record charges for services to all County departments and funds as operating transfers or operating revenue. All County funds record these payments to the Internal Service Funds as operating transfers or operating expenditures/expenses.

20. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The County employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. By November of each year, the County Administrator submits the proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. By December of each year, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue. For control purposes, General Fund is maintained at the activity and account level and Special Revenue Funds are maintained at the functional level.
- e. The County employs encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- f. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material to the original appropriations that were adopted.
- g. The remaining budgetary requirements as set forth by the County are detailed within their budget document.

21. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

22. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE B: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for approximately forty-two (42) funds. Cash overdrafts of individual funds as of December 31, 2006, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	<u>\$(6,504,204)</u>	<u>\$ 5,665</u>	<u>\$(6,498,539)</u>

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately forty-two (42) funds. The County's pooled cash and investments consist of a common checking account, savings, certificates of deposit, and mutual funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption in the applicable balance sheet/statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and mutual funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC), FSLIC, and NCUA regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of December 31, 2006, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 2,407	\$ 709,517
Certificates of deposit	<u>12,969,239</u>	<u>12,969,239</u>
Total primary government	12,971,646	13,678,756
FIDUCIARY FUNDS		
Checking and savings	1,986,964	1,997,536
COMPONENT UNITS		
Checking and savings	<u>1,502,396</u>	<u>1,530,977</u>
TOTAL REPORTING ENTITY	<u>\$16,461,006</u>	<u>\$17,207,269</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2006, the primary government, component units, and fiduciary fund accounts were insured by the FDIC, FSLIC or NCUA for \$1,238,328 and the amount of \$15,968,941 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

As of December 31, 2006, the market values, which are the carrying values for each investment, are as follows:

Investments

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's/S&D Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Federal Home Loan Bank	\$ 2,444,441	\$ 2,444,441	Aaa	120 days
Federal National Mortgage	1,344,100	1,344,100	Aaa	131 days
MBIA - Michigan Class Mutual Fund	1,471,257	1,477,665	N/A	N/A
U.S. Treasury Bills	<u>4,096,831</u>	<u>4,137,623</u>	N/A	110 days
	9,356,629	9,403,829		

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Investments - Continued

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's/S&D Rating</u>	<u>Weighted Average Maturity</u>
FIDUCIARY FUNDS				
Federated Government Obligations Mutual Fund \$	174,941	\$ 174,941	Not Rated	N/A
DFA Intermediate Government Fixed Income Mutual Fund	3,139,171	3,139,171	Not Rated	N/A
Vanguard Intermediate Bond Index Mutual Fund	3,571,844	3,571,844	Aaa	N/A
DFA U.S. Large Cap Value Mutual Fund	3,210,166	3,210,166	Not Rated	N/A
DFA U.S. Small Cap Mutual Fund	1,126,229	1,126,229	Not Rated	N/A
Vanguard Institutional Index Mutual Fund	<u>6,216,604</u>	<u>6,216,604</u>	Not Rated	N/A
	<u>17,438,955</u>	<u>17,438,955</u>		
TOTAL REPORTING ENTITY	<u>\$26,795,584</u>	<u>\$26,842,784</u>		

The County has investments purchased for the County employee's Pension Trust Fund through one (1) bank. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of December 31, 2006, the market value, which is the carrying amount of the pension trust plan assets were \$17,438,955 which includes \$199,536 in cash and cash equivalents.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2006, rating information that was available on the County's investments is presented above.

Interest rate risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio in a manner to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital.

Concentration of credit risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio to prevent over concentration of assets in a specific maturity, individual financial institution, or specific class of securities.

Custodial credit risk

The County will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2006:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,687,769	\$ 1,502,396	\$ 2,186,500	\$ 5,376,665
Investments	<u>20,770,372</u>	<u>-</u>	<u>17,239,419</u>	<u>38,009,791</u>
	<u>\$22,458,141</u>	<u>\$ 1,502,396</u>	<u>\$19,425,919</u>	<u>\$43,386,456</u>

The primary government cash and cash equivalents caption on the Statement of Net Assets include \$11,768 in imprest cash. The Community Corrections Advisory Board Fund, Victims Rights Advocate Fund, and Commission on Aging Fund portion of pooled cash and cash equivalents presented above is as of December 31, 2006. However, their financial statements have been presented as of September 30, 2006, which results in a timing difference of \$118,098 for the primary government.

NOTE D: INTERFUND TRANSFERS

Reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business-type funds have been eliminated.

	<u>Primary Government</u>		<u>Component Units</u>	
<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Primary Government				
General	\$ 1,354,886	\$ 750,311	\$ -	\$ -
Central dispatch	-	15,000	-	-
Revenue sharing reserve fund	-	1,245,190	-	-
Nonmajor governmental funds	875,091	241,476	-	-
Component Units				
Drainage Districts	<u>-</u>	<u>-</u>	<u>33,314</u>	<u>33,314</u>
	<u>\$ 2,229,977</u>	<u>\$ 2,251,977</u>	<u>\$ 33,314</u>	<u>\$ 33,314</u>

The difference of \$22,000 in the Primary Government transfers was a timing difference from the General Fund which transferred funds to the Secondary Road Patrol (Special Revenue) during October through December 2006 which shows up as a transfer out for the General Fund but since the Secondary Road Patrol is reported at a year-end of September 30, 2006, that funds transfers in do not reflect this \$22,000 amount in the current audit.

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at December 31, 2006:

<u>Fund</u>	<u>Primary Government</u>	
	<u>Due From</u>	<u>Due To</u>
Primary Government		
General	\$ 567,047	\$ -
Nonmajor governmental funds	-	517,047

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or services that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

The difference of \$50,000 in the Primary Government interfund receivables and payables is the result of a timing difference. The General Fund has \$50,000 due from the Commission on Aging, which is reported at a year-end of September 30, 2006, related to activity that occurred during October through December 2006.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

PRIMARY GOVERNMENT

	<u>Balance Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2006</u>
Governmental activities				
Land and land improvements	\$ 1,500,171	\$ 178,144	\$ -	\$ 1,678,315
Buildings and additions	14,531,409	73,617	-	14,605,026
Vehicles and equipment	<u>3,664,137</u>	<u>315,587</u>	<u>(283,686)</u>	<u>3,696,038</u>
Totals at historical cost	19,695,717	567,348	(283,686)	19,979,379
Less accumulated depreciation for:				
Land improvements	(505,932)	(63,803)	-	(569,735)
Buildings and additions	(6,615,490)	(219,280)	-	(6,834,770)
Vehicles and equipment	<u>(1,837,625)</u>	<u>(184,195)</u>	<u>128,572</u>	<u>(1,893,248)</u>
Total accumulated depreciation	<u>(8,959,047)</u>	<u>(467,278)</u>	<u>128,572</u>	<u>(9,297,753)</u>
Capital assets, net	<u>\$10,736,670</u>	<u>\$ 100,070</u>	<u>\$ (155,114)</u>	<u>\$10,681,626</u>
Business-type activities				
Vehicles and equipment	\$ 17,187	\$ 469	\$ -	\$ 17,656
Less accumulated depreciation for:				
Vehicles and equipment	<u>(9,602)</u>	<u>(1,546)</u>	<u>-</u>	<u>(11,148)</u>
Capital assets, net	<u>\$ 7,585</u>	<u>\$ (1,077)</u>	<u>\$ -0-</u>	<u>\$ 6,508</u>

St. Joseph County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE F: CAPITAL ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Depreciation expense was charged to activities of the primary government as follows:

Governmental Activities:	
General government	\$ 328,161
Public safety	90,015
Health and welfare	11,223
Recreation and cultural	<u>37,879</u>
	467,278
Business-type Activities:	
Nonmajor - Three Rivers Community Center	1,523
Nonmajor - Inmate Store	<u>23</u>
	<u>1,546</u>
	<u>\$ 468,824</u>

COMPONENT UNITS

	Restated Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Drainage Districts				
Drains	\$ 1,808,003	\$ 602,428	\$ -	\$ 2,410,431
Less accumulated depreciation for:				
Drains	<u>(352,000)</u>	<u>(50,151)</u>	<u>-</u>	<u>(402,151)</u>
Capital assets, net	<u>\$ 1,456,003</u>	<u>\$ 552,277</u>	<u>\$ -0-</u>	<u>\$ 2,008,280</u>
Economic Development				
Vehicles and equipment	\$ 8,254	\$ -	\$ -	\$ 8,254
Less accumulated depreciation for:				
Vehicles and equipment	<u>(6,025)</u>	<u>(766)</u>	<u>-</u>	<u>(6,791)</u>
Capital assets, net	<u>\$ 2,229</u>	<u>\$ (766)</u>	<u>\$ -0-</u>	<u>\$ 1,463</u>

St. Joseph County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE F: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

	Restated Balance <u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2006</u>
Road Commission				
Capital assets not being depreciated				
Infrastructure - Land/Right-of-Way	\$ 226,258	\$ -	\$ -	\$ 226,258
Infrastructure - Land Improvements	<u>7,466,981</u>	<u>193,742</u>	<u>-</u>	<u>7,660,723</u>
Totals at historical cost - nondepreciable assets	7,693,239	193,742	-0-	7,886,981
Capital assets being depreciated				
Buildings	1,057,361	192,063	(11,304)	1,238,120
Road Equipment	6,738,903	563,849	(10,400)	7,292,352
Shop Equipment	316,576	13,758	(2,121)	328,213
Office Equipment	143,624	8,942	(2,438)	150,128
Engineer's Equipment	50,998	3,355	-	54,353
Yard and Storage	24,355	-	-	24,355
Depletable assets	128,851	-	-	128,851
Infrastructure	<u>38,469,246</u>	<u>547,162</u>	<u>-</u>	<u>39,016,408</u>
Totals at historical cost - depreciable assets	46,929,914	1,329,129	(26,263)	48,232,780
Less accumulated depreciation for:				
Buildings	(493,044)	(30,292)	4,065	(519,271)
Equipment	(6,320,820)	(540,249)	14,145	(6,846,924)
Depletable assets	(72,896)	(2)	-	(72,898)
Infrastructure	<u>(19,859,468)</u>	<u>(1,321,373)</u>	<u>-</u>	<u>(21,180,841)</u>
Total accumulated depreciation	<u>(26,746,228)</u>	<u>(1,891,916)</u>	<u>18,210</u>	<u>(28,619,934)</u>
Net capital assets being depreciated	<u>20,183,686</u>	<u>(562,787)</u>	<u>(8,053)</u>	<u>19,612,846</u>
Total capital assets, net	<u>\$27,876,925</u>	<u>\$ (369,045)</u>	<u>\$ (8,053)</u>	<u>\$27,499,827</u>

St. Joseph County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2006:

	Restated Balance <u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2006</u>	Amounts Due Within <u>One Year</u>
PRIMARY GOVERNMENT					
Truck loans	\$ 25,297	\$ -	\$ 5,092	\$ 20,205	\$ 5,326
COMPONENT UNITS					
Board of Public Works					
Water and sewer bonds	4,240,000	-	301,625	3,938,375	215,000
Drainage Districts					
Drain notes	922,690	427,000	116,737	1,232,953	174,659
Road Commission					
Land contract and installment leases	186,456	367,132	192,452	361,136	170,798
Accrued compensated absences	<u>133,228</u>	<u>-</u>	<u>2,428</u>	<u>130,800</u>	<u>30,000</u>
	<u>319,684</u>	<u>367,132</u>	<u>194,880</u>	<u>491,936</u>	<u>200,798</u>
TOTAL COMPONENT UNITS	<u>5,482,374</u>	<u>794,132</u>	<u>613,242</u>	<u>5,663,264</u>	<u>590,457</u>
TOTAL REPORTING ENTITY	<u>\$ 5,507,671</u>	<u>\$ 794,132</u>	<u>\$ 618,334</u>	<u>\$ 5,683,469</u>	<u>\$ 595,783</u>

PRIMARY GOVERNMENT

Direct County Obligations - Truck Loans

St. Joseph County loan dated July 29, 2005 for a truck, 60 monthly payments of \$256 at a 4.5 percent interest rate.	\$ 10,148
St. Joseph County loan dated July 29, 2005 for a truck, 60 monthly payments of \$254 at a 4.5 percent interest rate.	<u>10,057</u>
	<u>\$ 20,205</u>

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Indirect County Obligations - Water and Sewer Bonds

The County has irrevocably pledged its full faith and credit as collateral for the following water and sewer system bonds. These projects are administered by the St. Joseph County BPW in conjunction with local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds.

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - BOARD OF PUBLIC WORKS - CONTINUED

Indirect County Obligations - Water and Sewer Bonds - continued

St. Joseph County Sanitary Sewer System #8, Series 1989 Refunding Bonds maturing serially through 2009 in annual amounts of \$35,000, with interest at 7.50 percent.	\$ 38,375
St. Joseph County Limited Tax General Obligation, Wastewater System #10 & 11, Series 1997 Bonds maturing serially through 2017 in annual amounts ranging from \$75,000 to \$80,000, with interest rates ranging from 5.00 to 5.25 percent.	850,000
St. Joseph County Limited Tax General Obligation, Water Supply System #13, Series 1997 Bonds maturing serially through 2017 in annual amounts of \$15,000, with interest at 5.25 percent.	165,000
St. Joseph County Limited Tax General Obligation, Sewage Disposal System #14, Series 1998 Bonds maturing serially through 2017 in annual amounts ranging from \$75,000 to \$130,000, with interest rates ranging from 4.5 to 5.00 percent.	1,105,000
St. Joseph County Limited Tax General Obligation, Sanitary Sewer #15, Series 2002 Bonds maturing serially through 2022 in annual amounts ranging from \$30,000 to \$130,000, with interest rates ranging from 4.35 to 5.10 percent.	1,460,000
St. Joseph County Limited Tax General Obligation, Water Supply #6, Series 2005 Bonds maturing serially through 2019 in annual amounts ranging from \$20,000 to \$30,000, with interest rates ranging from 3.5 to 4.65 percent.	<u>320,000</u>
	<u>\$ 3,938,375</u>

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Notes

The County has irrevocably pledged its full faith and credit as collateral for the certain drain notes. These projects are administered by the St. Joseph County Drain Commission for various local drainage districts. The drain notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Notes payable at December 31, 2006, per respective Drain projects serviced from the Capital Projects Funds of the Component Unit Drainage Districts are as follows:

St. Joseph County Loan with Citizens Bank dated September 30, 1998 for Lake Level Special for Palmer and Long Lakes (Lamberson Dam), ten annual payments of \$77,500 at an interest rate of 4.125 percent.	\$ 155,000
St. Joseph County with Century Bank and Trust dated September 15, 2006 for the reissuance of Grover and Coohon Drain, fourteen annual payments of \$19,883 at an interest rate of 4.190 percent.	207,440
St. Joseph County with Citizens Bank dated October 7, 2005 for Portage Lake Drain, six annual payments of \$32,556 at an interest rate of 3.375 percent.	147,513

St. Joseph County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Drain Notes - continued

St. Joseph County with Century Bank and Trust dated December 16, 2005 for Colon Drain, ten annual payments of \$38,654 at an interest rate of 4.55 percent.	\$ 296,000
St. Joseph County with Sturgis Bank and Trust dated February 4, 2006 for Felker Drain, ten annual payments of \$42,700 at an interest rate of 4.00 percent.	<u>427,000</u>
Total Drainage Districts Drain Notes	<u>\$ 1,232,953</u>

COMPONENT UNIT - ROAD COMMISSION

Installment Leases

The Road Commission has the following remaining installment lease contracts, each of which is secured by the related equipment, as follows:

<u>Equipment</u>	<u>Annual Installments Including Interest</u>	<u>Interest Rate</u>	<u>Due</u>
John Deere - 2 tractors, 2 mowers	\$ 38,758	4.25 %	May 2, 2007
MSG International Trucks (4) - 2003	45,248	3.73	June 15, 2007
MSG International Trucks (4) - 2006	100,570	3.76	September 9, 2009

For more information related to the Road Commission installment leases please see their separate audited financial statements.

Accumulated Compensated Absences

In accordance with Commission personnel policies and/or contracts negotiated with various employee groups of the Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

The dollar amount of these vested rights including related payroll taxes, amounted to \$130,800 at December 31, 2006. Of the \$130,800 total liability, \$30,000 has been reported as a current liability and \$100,800 has been reported as a noncurrent liability.

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE G: LONG-TERM DEBT - CONTINUED

REPORTING ENTITY TOTALS

The annual requirements to pay the debt principal and interest outstanding for the following Loans, Bonds, and Notes are as follows:

Year Ending December 31,	<u>Primary Government</u>		<u>Component Units</u>					
	<u>Principal</u>	<u>Interest</u>	<u>Drainage Districts</u>		<u>Board of Public Works</u>		<u>Road Commission</u>	
			<u>Drain Bonds and Notes</u>		<u>Water and Sewer Bonds</u>		<u>Installment Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 5,326	\$ 800	\$ 174,659	\$ 62,077	\$ 215,000	\$ 193,718	\$ 170,798	\$ 13,642
2008	5,571	555	186,249	43,870	228,375	180,875	93,413	7,157
2009	5,826	299	111,415	36,233	275,000	167,418	96,925	3,644
2010	3,482	52	114,133	31,782	255,000	153,123	-	-
2011	-	-	116,980	27,204	270,000	140,726	-	-
2012-2016	-	-	457,667	74,524	1,625,000	483,711	-	-
2017-2021	-	-	71,850	7,682	940,000	126,896	-	-
2022	-	-	-	-	130,000	3,315	-	-
	<u>\$ 20,205</u>	<u>\$ 1,706</u>	<u>\$ 1,232,953</u>	<u>\$ 283,372</u>	<u>\$ 3,938,375</u>	<u>\$ 1,449,782</u>	<u>\$ 361,136</u>	<u>\$ 24,443</u>

NOTE H: SHORT-TERM DEBT

During the year ended December 31, 2006, the County issued \$80,000 of short-term drain notes. The notes are used for drain related projects within the County.

	<u>Balance</u> <u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2006</u>
Short-term drain notes	<u>\$ 112,000</u>	<u>\$ 80,000</u>	<u>\$ 112,000</u>	<u>\$ 80,000</u>

NOTE I: EMPLOYEE RETIREMENT SYSTEM

RETIREMENT SYSTEM - SHERIFF DEPARTMENT

The County Sheriff's department (only POAM and FOP employees, Sheriff, Undersheriff, Jail Administrator, and the Emergency Services Coordinator) participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. Those employees listed above are covered by the retirement system as long as they meet the eligibility requirements detailed by the plan.

The benefits and conditions outlined below are for general information only. Public Act 427 of 1984, as amended, covers the benefits and conditions of the Municipal Retirement systems.

Normal Retirement:

25 or more years of credited service

St. Joseph County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

RETIREMENT SYSTEM - SHERIFF DEPARTMENT - CONTINUED

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 8 or 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

Funding Policy

For the POAM and FOP units, the County is required to contribute the first 11% of covered compensation based on actuarial requirements and the employees contribute all amounts above the 11% maximum percentage. For the administration units, the County is required to contribute up to pre-established limits.

Annual Pension Cost

For the year ended December 31, 2006, the County's annual pension cost for this MERS plan was \$257,833. The plan payments were equal to the County's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2004, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0% to 8.4% per year, based on an age-related scale to reflect merit, longevity, and promotional salary increases. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Three (3) year trend information

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 7,123,098	\$ 7,696,455	\$ 8,231,280
Actuarial accrued liability (AAL) (entry age)	8,190,992	8,958,765	9,874,803
Unfunded AAL	1,067,894	1,262,310	1,643,523
Funded ratio	87%	86%	83%
Covered payroll	2,082,191	2,198,798	2,096,521
UAAL as a percentage of covered payroll	51%	57%	78%
Annual pension cost	241,975	232,647	257,833
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL

The County's defined benefit pension plan, the St. Joseph County Employees' Retirement Plan, is a single-employer plan administered by the St. Joseph County Employees Retirement System Board of Trustees. The plan covers substantially all full-time employees with the following exceptions: Commission on Aging employees, Sheriff Department union and administrative staff, Road Commission employees and the St. Joseph County Mental Health employees. The plan was adopted and established by St. Joseph County effective December 31, 1967 under authority of section 12a of Public Act 156 of 1851, as amended. The System's financial statements are included in the combined financial statements of St. Joseph County as a pension trust fund. The County does not issue a stand-alone report for its Employees' Retirement System. The most recent period for which actuarial data was available was for the calendar year ended December 31, 2005.

Benefits

The retirement system pension plan provides retirement, deferred allowances, disability, and death benefits to plan members and their beneficiaries in accordance with the County's retirement pension ordinance. Retiree health care benefits are paid for by the retirees on a reimbursement basis to the County. At December 31, 2005, there were 141 active members in the pension plan.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable, in accordance with the plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Funding Policy

The financial objective of the retirement system is to receive contributions each fiscal year which are sufficient to: (i) fund the actuarial cost of benefits likely to be paid on account of credited service earned by members during the fiscal year; and (ii) fund the unfunded actuarial cost of benefits likely to be paid on account of credited service earned by members prior to the fiscal year over a period of not more than 40 years. Contribution requirements shall be determined by annual actuarial valuation using a generally recognized level percent of payroll actuarial cost method. The board of trustees shall certify to the board of county commissioners the amount of annual contribution needed to meet the financial objective and the board of commissioners shall appropriate and cause the contribution to be paid to the retirement system. Plan members contribute 2% of covered compensation to the plan.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Periodic employer contributions to the pension plan are determined on an actuarial basis using an entry age actuarial funding method. Normal cost is funded on a current basis. The new liabilities for benefit and assumption changes were amortized over a 24-year period. Other unfunded actuarial accrued liabilities (asset surpluses) were being amortized as a level percent of member payroll over a rolling period of 10 years.

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/03	\$13,264,588	\$13,532,836	\$(268,248)	98.0	\$ 4,504,916	(6.0)
12/31/04	13,675,779	13,356,731	319,048	102.4	4,812,257	6.6
12/31/05	14,377,213	13,957,960	419,253	103.0	4,812,415	8.7

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year Ended December 31,	Annual Recommended Contribution	Actual Contributions	Percentage Contributed
2003	\$ 229,744	\$ 255,436	5.76 %
2004	344,018	401,190	8.27
2005	544,347	531,615	10.96

RETIREMENT SYSTEM - COUNTY COMMISSION ON AGING

The St. Joseph County Commission on Aging established a defined contribution pension plan (Simplified Employee Pension) with Fifth Third Bank (effective June 8, 1988) and Edward Jones, Inc. Eligible employees who are full time and have worked one year or are part-time and have worked at least three years and earned over \$500 per year are eligible for this plan. Plan provisions and contribution requirements are established and may be amended by the board. During the year ended September 30, 2006, the Commission on Aging's required and actual contributions amounted to \$30,372. Members are not required to contribute to the plan. Pension fund contributions are based on a fixed weekly rate for each employee covered by the personnel policy. There were 30 employees covered under this plan during 2006.

RETIREMENT SYSTEM - ROAD COMMISSION (COMPONENT UNIT)

The St. Joseph County Road Commission established the St. Joseph County Road Commission Money Purchase Pension Plan, a single-employer defined contribution plan on October 15, 1981. The plan, established to meet the requirements of Public Act 29 of 1943, covers substantially all employees of the Road Commission. The Road Commission is required to contribute 6% of covered payroll at the end of each plan year. Employees do not contribute to the plan. Fifth Third Bank, Kalamazoo, Michigan, is the trustee and administers the pension plan.

Plan provisions and contribution requirements are established and may be amended by the Board of County Road Commissioners. There is no service requirement in order to be eligible to participate in the plan. Upon termination of employment for reasons other than retirement, total and permanent disability, or death, a participant is entitled to receive 100% of the participant's amount representing the vested percentage of the balance in the participant's employer contribution account at the date of termination of employment. The Road Commission's contributions for each employee (and interest allocated to the employee's account) are partially vested after three (3) years of continuous service and fully vested after seven (7) years of continuous service. For the plan year ended October 31, 2006, the Road Commission contributed \$101,441 (representing 6% of covered payroll) to the plan.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE J: CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

There are various legal actions pending against the County and its components. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, are considered by County Management and Legal Counsel to be immaterial.

NOTE K: ROAD COMMISSION FEDERAL GRANTS

Governmental and certain other entities which expend \$500,000 or more of direct federal dollars are subject to a single audit in accordance with the OMB Circular A-133. The Road Commission expended federal dollars which were passed through and administered by the Michigan Department of Transportation. The passed through monies will be included in the State of Michigan's Single Audit.

NOTE L: RISK MANAGEMENT

Primary Government

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing St. Joseph County with loss protection for general and auto liability, motor vehicle physical damage, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and auto liability	\$ 75,000
Motor vehicle physical damage	15,000
Property coverage	10,000

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE L: RISK MANAGEMENT - CONTINUED

Primary Government - continued

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expenses as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that St. Joseph County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The County has not been informed of any special assessments being required.

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$222,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$222,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund is insufficient to fund St. Joseph County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2006, the County had reserves for reported claims of \$70,116 on deposit with the Authority.

The County also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The County has not been informed of any special assessments being required.

Road Commission (Component Unit)

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool ("Pool") established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (inter local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverage, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The St. Joseph County Road Commission pays an annual premium to the Pool for general liability, excess liability, errors and omissions, auto liability, auto comprehensive, auto collision, equipment and building and contents.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE L: RISK MANAGEMENT - CONTINUED**Road Commission (Component Unit) - Continued**

The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also self-insured for workers' compensation as a member of the County Road Association Self-Insurance Fund. The estimated amount of the IBNR, or "Incurred But Not Reported" claims associated with the self-insurance arrangements is not considered to be material at December 31, 2006.

The Road Commission continues to carry commercial insurance for all other risks of loss, including life insurance, health program, data processing, commercial crime and boiler and machinery. Settled claims have not exceeded insurance coverage for the last three years.

NOTE M: PROPERTY TAXES AND TAXES RECEIVABLE

Taxes receivable recorded in the respective primary government funds at December 31, 2006, are as follows:

Taxes Receivable	General	Special Revenue		Enterprise	Total
		Revenue Sharing Reserve	Central Dispatch	Tax Payment Fund	
Current	\$ 230,149	\$ 2,252,013	\$ 1,165,733	\$ -	\$ 3,647,895
Delinquent	-	-	-	1,951,644	1,951,644
	<u>\$ 230,149</u>	<u>\$ 2,252,013</u>	<u>\$ 1,165,733</u>	<u>\$ 1,951,644</u>	<u>\$ 5,599,539</u>

The delinquent taxes receivable represents unpaid real property taxes in the Tax Payment Fund.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1, and records a corresponding delinquent taxes receivable.

NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance and net assets indicates that portion of fund equity which the County has set aside for specific purposes. The reserves and designations are recorded at the fund level to indicate management's plans for these funds.

The following are the various fund balance reserves as of December 31, 2006:

PRIMARY GOVERNMENT

General Fund

Reserved for

Prepaids

Inventories

\$ 107,845

41,067\$ 148,912

Central Dispatch Fund

Reserved for prepaids

\$ 9,154

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Nonmajor governmental funds	
Reserved for prepaids	\$ 31,796
Reserved for inventories	6,449
Reserved for cemetery maintenance	<u>15,397</u>
	<u>\$ 53,642</u>

COMPONENT UNITS

Board of Public Works	
Fish Lake Sewer System	
Reserved for debt service	\$ 32
Klinger Lake Sewer Extension	
Reserved for debt service	<u>318</u>
	<u>\$ 350</u>

Drainage Districts	
Lamberson Dam	
Reserved for debt service	\$ 99,366
Portage Lake Drain	
Reserved for debt service	<u>120,741</u>
	<u>\$ 220,107</u>

The following are fund balance designations as of December 31, 2006:

PRIMARY GOVERNMENT

Nonmajor governmental funds	
Designated for capital projects	<u>\$ 117,356</u>

COMPONENT UNITS

Board of Public Works	
Capital Projects	
Constantine Village Sewer System Construction	
Designated for capital expenditures	\$ 41
Drainage District	
Capital Projects	
Long Lake Level - Fabius Revolving	
Designated for capital expenditures	4,234
Regular Drain	
Designated for capital expenditures	439,618
Klinger Lake Level Special Assessment	
Designated for capital expenditures	(31,786)
Drain Revolving	
Designated for capital expenditures	52,295
Palmer/Long Lake Revolving	
Designated for capital expenditures	122,604
Eberhard Lake Level Special Assessment	
Designated for capital expenditures	4,267

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

COMPONENT UNITS - CONTINUED

Drainage District	
Capital Projects - continued	
Grey Lake Study	
Designated for capital expenditures	\$ 1,249
Revolving Drain Maintenance	
Designated for capital expenditures	8,883
Proposed Assessment District Drain Fund	
Designated for capital expenditures	(73,673)
Minnewaukan Lake Study	
Designated for capital expenditures	<u>10,080</u>
 TOTAL COMPONENT UNITS	 \$ <u>537,812</u>

The County has recorded designations of net assets in the proprietary funds that reflect management's plans for use of those funds. Since designations are not appropriate for presentation on the face of the applicable statements of net assets, the designations are listed here.

The following is the net asset designation as of December 31, 2006:

Enterprise Funds	
Tax Payment Fund	
Designated for future tax notes	\$ <u>800,000</u>

NOTE O: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2006:

PRIMARY GOVERNMENT

Governmental activities	
Restricted for	
Public safety	
Central dispatch	\$ 609,378
Central dispatch wireless	392,035
Traffic safety	79,419
Drug law enforcement	19,173
Community corrections advisory board	29,806
Community corrections program	43,520
Secondary road patrol	12,722
Law enforcement	138,086
Sheriff's justice training	12,273
Homeland security	5,670
Local corrections officers training	48,770
Animal shelter donations	<u>30,698</u>
	\$ <u>1,421,550</u>
 Other purposes	
Parks and recreation	\$ 49,237
Meyer Broadway Park	66,114
Facilities and land acquisition	1,469

St. Joseph County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE O: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Governmental activities - continued

Restricted for

Other purposes - continued

Friend of the Court	\$ 11,568
Family counseling	5,546
Court case flow assistance	14,932
Waste management	225,669
Commission on aging	138,024
FIA	61,637
FIA child care	33,303
Veterans' trust	9,224
Remonumentation	6,577
Veteran's memorial	1,842
Principal residence denial	66,390
Victims' rights advocates	27,829
Law library	5,466
CDBG housing	111,359
Child care probate	1,216
Board of Public Works administration	10,777
Cade Lake Park	6,517
Cemetery	15,397
State Revenue Sharing	4,459,700
Budget stabilization	1,431,700
ROD Automation	<u>(76,026)</u>
	<u>\$ 6,685,467</u>

COMPONENT UNITS

Restricted for other purposes

Road Commission

Restricted for County roads \$ 2,357,378

Board of Public Works

Restricted for public works projects 391

Drainage Districts

Restricted for related drain items 596,314

Economic Development Corporation

Restricted for economic development 34,153

\$ 2,988,236

Restricted for Debt Service

Drainage Districts

\$ 220,107

NOTE P: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the financial statements, the County's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

St. Joseph County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE P: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

During the year ended December 31, 2006, the County incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Animal control	\$ 169,129	\$ 190,407	\$ 21,278

NOTE Q: FUND EQUITY DEFICITS

The following funds held fund equity deficits at December 31, 2006:

Primary Government	
Special Revenue Funds	
Register of Deeds Automation	\$ 76,026
Component Unit Funds	
Proposed Assessment District	73,673
Klinger Lake Level Special Assessment	31,786

NOTE R: RESTATEMENT OF NET ASSETS

The following restatements of net assets were made during the year, and were reported as restatements of beginning net assets. Community Mental Health activities were previously reported as a discretely presented component unit. These activities have been eliminated from the current year financial statements in accordance with GASB Statement No. 14. The restatement of Drainage District capital assets is the result of an understatement of the drain infrastructure capital assets in prior years.

COMPONENT UNITS	
Net assets, beginning	\$31,655,739
Elimination of Community Mental Health activities	(1,427,208)
Understatement of prior capital assets in Drainage Districts	<u>368,684</u>
Restated net assets, beginning	<u>\$30,597,215</u>

REQUIRED SUPPLEMENTARY INFORMATION

St. Joseph County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 7,351,305	\$ 7,351,305	\$ 7,568,302	\$ 216,997
Payments in lieu of taxes	1,000	1,000	5,939	4,939
Mobile home park taxes	5,000	5,000	11,165	6,165
Tax reverted lands	1,000	1,000	-	(1,000)
Expense of sale/Administrative fees	4,400	4,400	9,496	5,096
Total taxes	7,362,705	7,362,705	7,594,902	232,197
Licenses and permits				
Dog licenses	79,000	79,000	78,403	(597)
Marriage license fees	3,000	3,000	2,870	(130)
Gun permits	6,060	6,060	6,385	325
Total licenses and permits	88,060	88,060	87,658	(402)
Intergovernmental - Federal/State				
Emergency Management Assistance	26,300	26,300	24,871	(1,429)
SCAAP grant	6,000	6,000	-	(6,000)
Highway safety	-	36,919	31,245	(5,674)
FOC - CRP	436,000	436,000	449,605	13,605
FOC - incentive program	120,000	120,000	114,750	(5,250)
J.A.I.B.G. grant	8,000	8,000	6,913	(1,087)
Prosecutor - CRP	81,034	81,034	82,785	1,751
Caseflow assistance grant	15,400	15,400	16,284	884
Victims' Rights	6,000	6,000	5,334	(666)
Juvenile officer grant	27,317	27,317	27,317	-0-
Probate court judge salary	101,674	101,674	102,065	391
Circuit court judge	45,724	45,724	45,724	-0-
District court judge	91,673	91,673	91,448	(225)
Probate court judge	45,724	45,724	45,724	-0-
Court equity	410,000	410,000	428,176	18,176
Election expenses	30,000	30,000	30,383	383
Convention facility tax	175,477	175,477	174,234	(1,243)
Cigarette tax	42,437	42,437	36,866	(5,571)
Liquor license	12,000	12,000	13,129	1,129
Marine safety grant	19,993	19,993	52,556	32,563
Total intergovernmental - Federal/State	1,700,753	1,737,672	1,779,409	41,737

St. Joseph County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental - local				
Traffic safety commission	\$ 8,600	\$ 8,600	\$ 211	\$ (8,389)
Charges for services				
Circuit Court costs	66,900	66,900	119,766	52,866
District Court costs	758,000	758,000	788,517	30,517
Probate / family court	73,620	73,620	88,247	14,627
Treasurer	2,075	2,075	3,782	1,707
Clerk	89,000	89,000	91,036	2,036
Register of deeds	561,300	561,300	523,666	(37,634)
Friend of the Court	81,300	81,300	91,369	10,069
Sheriff department	194,900	194,900	321,014	126,114
Telephone commissions	60,600	60,600	60,891	291
Equalization	87,000	87,000	100,127	13,127
Central services	32,000	32,000	28,983	(3,017)
Animal control	10,000	10,000	11,370	1,370
Total charges for services	2,016,695	2,016,695	2,228,768	212,073
Interest and rents				
Interest on investments	201,000	201,000	534,897	333,897
Rental fees	5,300	5,300	4,212	(1,088)
Total interest and rents	206,300	206,300	539,109	332,809
Fines and forfeits				
District Court	227,000	227,000	211,570	(15,430)
County clerk	2,500	2,500	9,130	6,630
Animal control	4,000	9,000	6,460	(2,540)
Total fines and forfeits	233,500	238,500	227,160	(11,340)

St. Joseph County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other				
Reimbursements - workers' comp.	\$ -	\$ -	\$ 25,981	\$ 25,981
Reimbursements - gasoline	25,000	25,000	23,767	(1,233)
Reimbursements - insurance	-	-	16,664	16,664
Reimbursements - attorney fees	600	600	123	(477)
Reimbursements - visiting judge fees	-	-	326	326
Reimbursements - drain assessments	2,402	2,402	2,401	(1)
Reimbursements- juror compensation	17,000	17,000	13,650	(3,350)
Reimbursements - miscellaneous	5,000	5,680	1,074	(4,606)
Sale of capital assets	1,500	1,500	2,425	925
Sale of maps	22,400	22,400	32,536	10,136
Other	13,463	13,463	28,578	15,115
Total other	87,365	88,045	147,525	59,480
TOTAL REVENUES	11,703,978	11,746,577	12,604,742	858,165
OTHER FINANCING SOURCES				
Transfers from other funds				
Local Corrections Officers Training	-	-	8,808	8,808
Revenue Sharing Reserve Fund	1,245,190	1,245,190	1,245,190	-0-
Central Dispatch Fund	15,000	15,000	15,000	-0-
Central Dispatch Wireless Fund	4,000	4,000	4,000	-0-
Remonumentation	-	-	1,000	1,000
Friend of the Court Fund	15,000	15,000	12,000	(3,000)
Waste Management Fund	13,025	19,350	19,350	-0-
Drug Law Enforcement Fund	40,000	40,000	40,000	-0-
Law Enforcement Fund	10,324	10,324	9,538	(786)
Total transfers from other funds	1,342,539	1,348,864	1,354,886	6,022
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 13,046,517</u>	<u>\$ 13,095,441</u>	<u>\$ 13,959,628</u>	<u>\$ 864,187</u>

St. Joseph County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government				
Board of Commissioners	\$ 153,220	\$ 161,220	\$ 158,734	\$ 2,486
County Administrator	134,969	134,969	134,219	750
Elections	76,700	76,700	52,873	23,827
Finance	203,625	203,625	200,988	2,637
Clerk	367,073	368,173	365,811	2,362
Equalization	289,226	289,226	285,522	3,704
Human resources	127,108	127,108	117,539	9,569
G.I.S.	116,475	116,475	99,629	16,846
Prosecuting Attorney	678,860	677,610	667,585	10,025
Register of Deeds	210,650	210,650	208,110	2,540
Central services	413,000	413,000	363,399	49,601
Treasurer	226,175	226,175	224,247	1,928
MSU extension service	212,586	213,386	209,971	3,415
Data processing	225,674	225,674	193,862	31,812
Building, grounds, utilities & insurance	912,930	932,930	917,291	15,639
Courts building security	74,950	74,950	73,558	1,392
Drain commission	109,574	109,574	93,498	16,076
Boundary commission	300	300	-	300
Circuit Court	262,036	263,286	243,317	19,969
Public Defender	401,000	401,000	400,000	1,000
District Court	1,095,712	1,095,712	1,082,169	13,543
Appeals Court	35,765	35,765	28,206	7,559
Probate Court	309,538	311,948	302,730	9,218
Child Care - Probate Court	130,000	107,733	107,478	255
Family Court	789,807	816,574	808,747	7,827
Jury commission	1,950	1,950	1,909	41
Friend of the Court	615,751	615,751	610,277	5,474
Total general government	8,174,654	8,211,464	7,951,669	259,795
Public safety				
Sheriff - County	1,677,707	1,715,306	1,593,692	121,614
Sheriff - Reserves	12,924	12,924	10,022	2,902
Marine safety	27,594	31,919	31,821	98
Jail	1,866,297	1,874,247	1,829,591	44,656
Emergency Services	82,519	82,519	82,191	328
Livestock claims	500	500	-	500
Animal control	162,564	169,129	190,407	(21,278)
Total public safety	3,830,105	3,886,544	3,737,724	148,820

St. Joseph County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works				
Soil Conservation	\$ 22,500	\$ 22,500	\$ 22,500	\$ -0-
Board of public works	11,406	11,406	8,269	3,137
Road Commission	30,000	30,000	30,000	-0-
Total public works	63,906	63,906	60,769	3,137
Health and Welfare				
District Health	404,633	404,633	401,030	3,603
Veteran's services	13,025	19,350	18,637	713
Medical examiner	41,900	41,900	27,375	14,525
Substance Abuse Council	87,738	87,738	87,117	621
Mental Health Services	192,980	192,980	192,980	-0-
Veteran's Affairs	3,300	3,300	3,180	120
Total health and welfare	743,576	749,901	730,319	19,582
Community economic and development				
Plat board	1,077	1,077	-	1,077
Planning commission	30,915	30,915	20,743	10,172
Total community economic and development	31,992	31,992	20,743	11,249
Other				
Other	23,927	23,927	22,040	1,887
Contingency	200,000	84,350	-	84,350
Total other	223,927	108,277	22,040	86,237
TOTAL EXPENDITURES	13,068,160	13,052,084	12,523,264	528,820
OTHER FINANCING USES				
Transfers to other funds				
Circuit Court Law Library Fund	6,000	6,000	6,000	-0-
Remonumentation Fund	18,170	18,170	18,170	-0-
Parks and Recreation Fund	172,829	172,829	172,829	-0-
DHS Fund	20,000	20,000	20,000	-0-
Child Care Probate Fund	229,500	249,500	249,500	-0-
DHS Child Care Fund	110,000	130,000	130,000	-0-
Secondary Road Patrol Fund	28,812	53,812	53,812	-0-
County Facilities Maintenance	-	100,000	100,000	-0-
Total transfers to other funds	585,311	750,311	750,311	-0-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 13,653,471	\$ 13,802,395	\$ 13,273,575	\$ 528,820

St. Joseph County, Michigan

Central Dispatch

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 1,099,055	\$ 1,099,055	\$ 1,135,346	\$ 36,291
Interest and rents	5,000	5,000	12,192	7,192
Other	392	13,052	19,609	6,557
TOTAL REVENUES	1,104,447	1,117,107	1,167,147	50,040
EXPENDITURES				
Current				
Public safety	1,101,351	1,099,331	987,882	111,449
Capital outlay	41,000	55,680	40,472	15,208
TOTAL EXPENDITURES	1,142,351	1,155,011	1,028,354	126,657
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(37,904)	(37,904)	138,793	176,697
OTHER FINANCING USES				
Transfers out	(15,000)	(15,000)	(15,000)	-0-
NET CHANGE IN FUND BALANCE	(52,904)	(52,904)	123,793	176,697
Fund balance, beginning of year	485,585	485,585	485,585	-0-
Fund balance, end of year	<u>\$ 432,681</u>	<u>\$ 432,681</u>	<u>\$ 609,378</u>	<u>\$ 176,697</u>

St. Joseph County, Michigan

Revenue Sharing Reserve

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ -	\$ 1,245,190	\$ 2,252,013	\$ 1,006,823
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	1,245,190	2,252,013	1,006,823
OTHER FINANCING USES				
Transfers out	<u>-</u>	<u>(1,245,190)</u>	<u>(1,245,190)</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	1,006,823	1,006,823
Fund balance, beginning of year	<u>3,452,877</u>	<u>3,452,877</u>	<u>3,452,877</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 3,452,877</u>	<u>\$ 3,452,877</u>	<u>\$ 4,459,700</u>	<u>\$ 1,006,823</u>

OTHER SUPPLEMENTARY INFORMATION

St. Joseph County, Michigan
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
December 31, 2006

	Special		
	Parks and Recreation	Central Dispatch Wireless	Meyer Broadway Park
ASSETS			
Cash and cash equivalents	\$ 43,404	\$ 355,796	\$ 67,195
Accounts receivable	3,727	-	-
Due from other governmental units -			
Federal/State	-	37,792	-
Local	-	-	-
Prepays	3,841	-	-
Inventories	-	-	-
TOTAL ASSETS	\$ 50,972	\$ 393,588	\$ 67,195
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 280	\$ 771	\$ 651
Accrued liabilities	1,455	782	430
Due to other funds	-	-	-
Advances from State	-	-	-
TOTAL LIABILITIES	1,735	1,553	1,081
FUND BALANCES (DEFICITS)			
Reserved for			
Prepays	3,841	-	-
Inventories	-	-	-
Cemetery maintenance	-	-	-
Unreserved			
Designated for			
Capital projects	-	-	-
Undesignated, reported in:			
Special revenue funds	45,396	392,035	66,114
TOTAL FUND BALANCES (DEFICITS)	49,237	392,035	66,114
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 50,972	\$ 393,588	\$ 67,195

Revenue

Facilities and Land Acquisition	Friend of the Court	Family Counseling	Court Caseflow Assistance	Waste Management	Commission on Aging (9/30/06)
\$ 1,467 2	\$ 8,345 33	\$ 6,981 -	\$ 14,932 -	\$ 160,250 72,621	\$ 129,137 16,566
-	3,485	-	-	-	34,604
-	-	-	-	-	-
-	-	-	-	-	21,399
-	-	-	-	-	6,449
<u>\$ 1,469</u>	<u>\$ 11,863</u>	<u>\$ 6,981</u>	<u>\$ 14,932</u>	<u>\$ 232,871</u>	<u>\$ 208,155</u>
\$ -	\$ -	\$ 1,435	\$ -	\$ 7,202	\$ 32,675
-	295	-	-	-	37,456
-	-	-	-	-	-
-	-	-	-	-	-
-0-	295	1,435	-0-	7,202	70,131
-	-	-	-	-	21,399
-	-	-	-	-	6,449
-	-	-	-	-	-
-	-	-	-	32,375	-
<u>1,469</u>	<u>11,568</u>	<u>5,546</u>	<u>14,932</u>	<u>193,294</u>	<u>110,176</u>
<u>1,469</u>	<u>11,568</u>	<u>5,546</u>	<u>14,932</u>	<u>225,669</u>	<u>138,024</u>
<u>\$ 1,469</u>	<u>\$ 11,863</u>	<u>\$ 6,981</u>	<u>\$ 14,932</u>	<u>\$ 232,871</u>	<u>\$ 208,155</u>

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	Special		
	Human Services	Human Services Child Care	Traffic Safety
ASSETS			
Cash and cash equivalents	\$ 100,635	\$ 1,174	\$ 82,329
Accounts receivable	-	-	-
Due from other governmental units -			
Federal/State	25,002	32,129	-
Local	-	-	-
Prepays	-	-	-
Inventories	-	-	-
TOTAL ASSETS	<u>\$ 125,637</u>	<u>\$ 33,303</u>	<u>\$ 82,329</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 2,910
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Advances from State	64,000	-	-
TOTAL LIABILITIES	64,000	-0-	2,910
FUND BALANCES (DEFICITS)			
Reserved for			
Prepays	-	-	-
Inventories	-	-	-
Cemetery maintenance	-	-	-
Unreserved			
Designated for			
Capital projects	-	-	-
Undesignated, reported in:			
Special revenue funds	61,637	33,303	79,419
TOTAL FUND BALANCES (DEFICITS)	<u>61,637</u>	<u>33,303</u>	<u>79,419</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 125,637</u>	<u>\$ 33,303</u>	<u>\$ 82,329</u>

Revenue

Veterans' Trust	Drug Law Enforcement	Remonumentation	Veteran's Memorial	Budget Stabilization	Victims' Rights Advocates (9/30/06)
\$ 8,151	\$ 19,770	\$ 26,577	\$ 1,842	\$ 1,431,700	\$ 12,549
-	-	-	-	-	-
1,073	-	-	-	-	16,059
-	-	-	-	-	-
-	-	-	-	-	734
-	-	-	-	-	-
<u>\$ 9,224</u>	<u>\$ 19,770</u>	<u>\$ 26,577</u>	<u>\$ 1,842</u>	<u>\$ 1,431,700</u>	<u>\$ 29,342</u>
\$ -	\$ 597	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	1,513
-	-	20,000	-	-	-
-	-	-	-	-	-
-0-	597	20,000	-0-	-0-	1,513
-	-	-	-	-	734
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>9,224</u>	<u>19,173</u>	<u>6,577</u>	<u>1,842</u>	<u>1,431,700</u>	<u>27,095</u>
<u>9,224</u>	<u>19,173</u>	<u>6,577</u>	<u>1,842</u>	<u>1,431,700</u>	<u>27,829</u>
<u>\$ 9,224</u>	<u>\$ 19,770</u>	<u>\$ 26,577</u>	<u>\$ 1,842</u>	<u>\$ 1,431,700</u>	<u>\$ 29,342</u>

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

		Special	
	Community Correction Advisory Board (9/30/06)	Community Correction Program (9/30/06)	Law Enforcement
ASSETS			
Cash and cash equivalents	\$ 28,403	\$ 47,360	\$ 95,041
Accounts receivable	-	-	-
Due from other governmental units -			
Federal/State	5,210	-	-
Local	-	-	46,837
Prepays	-	-	-
Inventories	-	-	-
TOTAL ASSETS	\$ 33,613	\$ 47,360	\$ 141,878
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 2,485	\$ 3,840	\$ 1,202
Accrued liabilities	1,322	-	2,590
Due to other funds	-	-	-
Advances from State	-	-	-
TOTAL LIABILITIES	3,807	3,840	3,792
FUND BALANCES (DEFICITS)			
Reserved for			
Prepays	-	-	-
Inventories	-	-	-
Cemetery maintenance	-	-	-
Unreserved			
Designated for			
Capital projects	-	-	-
Undesignated, reported in:			
Special revenue funds	29,806	43,520	138,086
TOTAL FUND BALANCES (DEFICITS)	29,806	43,520	138,086
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 33,613	\$ 47,360	\$ 141,878

Revenue

Secondary Road Patrol (9/30/06)	Law Library	CDBG Housing	Sheriff's Justice Training	Child Care Probate	Board of Public Works Administration
\$ 3,511	\$ 7,028	\$ 111,359	\$ 12,353	\$ 7,151	\$ 10,777
-	-	-	-	-	-
7,575	-	-	-	29,342	-
-	-	-	-	-	-
5,822	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 16,908</u>	<u>\$ 7,028</u>	<u>\$ 111,359</u>	<u>\$ 12,353</u>	<u>\$ 36,493</u>	<u>\$ 10,777</u>
\$ -	\$ 1,562	\$ -	\$ 80	\$ 33,576	\$ -
4,186	-	-	-	1,701	-
-	-	-	-	-	-
-	-	-	-	-	-
4,186	1,562	-0-	80	35,277	-0-
5,822	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,900	5,466	111,359	12,273	1,216	10,777
12,722	5,466	111,359	12,273	1,216	10,777
<u>\$ 16,908</u>	<u>\$ 7,028</u>	<u>\$ 111,359</u>	<u>\$ 12,353</u>	<u>\$ 36,493</u>	<u>\$ 10,777</u>

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	Special		
	Animal Shelter Donation Fund	Cade Lake Park	Register of Deeds Automation
ASSETS			
Cash and cash equivalents	\$ 30,698	\$ 6,546	\$ 59,914
Accounts receivable	-	-	246
Due from other governmental units -			
Federal/State	-	-	-
Local	-	-	-
Prepays	-	-	-
Inventories	-	-	-
TOTAL ASSETS	<u>\$ 30,698</u>	<u>\$ 6,546</u>	<u>\$ 60,160</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ -	\$ 29	\$ 12,317
Accrued liabilities	-	-	-
Due to other funds	-	-	123,869
Advances from State	-	-	-
TOTAL LIABILITIES	-0-	29	136,186
FUND BALANCES (DEFICITS)			
Reserved for			
Prepays	-	-	-
Inventories	-	-	-
Cemetery maintenance	-	-	-
Unreserved			
Designated for			
Capital projects	-	-	-
Undesignated, reported in:			
Special revenue funds	30,698	6,517	(76,026)
TOTAL FUND BALANCES (DEFICITS)	<u>30,698</u>	<u>6,517</u>	<u>(76,026)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 30,698</u>	<u>\$ 6,546</u>	<u>\$ 60,160</u>

Revenue			Capital Projects	Permanent	Total Nonmajor Governmental Funds
Local Corrections Officer's Training	Homeland Security	Principal Residence Denial	County Facilities Maintenance	Cemetery	
\$ 48,770	\$ 300,832	\$ 66,509	\$ 84,981	\$ 15,093	\$ 3,408,560
-	2,559	-	-	304	96,058
-	76,047	-	-	-	268,318
-	-	-	-	-	46,837
-	-	-	-	-	31,796
-	-	-	-	-	6,449
<u>\$ 48,770</u>	<u>\$ 379,438</u>	<u>\$ 66,509</u>	<u>\$ 84,981</u>	<u>\$ 15,397</u>	<u>\$ 3,858,018</u>
\$ -	\$ 590	\$ -	\$ -	\$ -	\$ 102,202
-	-	119	-	-	51,849
-	373,178	-	-	-	517,047
-	-	-	-	-	64,000
-0-	373,768	119	-0-	-0-	735,098
-	-	-	-	-	31,796
-	-	-	-	-	6,449
-	-	-	-	15,397	15,397
-	-	-	84,981	-	117,356
<u>48,770</u>	<u>5,670</u>	<u>66,390</u>	<u>-</u>	<u>-</u>	<u>2,951,922</u>
<u>48,770</u>	<u>5,670</u>	<u>66,390</u>	<u>84,981</u>	<u>15,397</u>	<u>3,122,920</u>
<u>\$ 48,770</u>	<u>\$ 379,438</u>	<u>\$ 66,509</u>	<u>\$ 84,981</u>	<u>\$ 15,397</u>	<u>\$ 3,858,018</u>

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	Special		
	Parks and Recreation	Central Dispatch Wireless	Meyer Broadway Park
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental			
Federal/State	-	-	-
Local	3,727	-	-
Charges for services	10,818	163,395	1,370
Fines and forfeits	-	-	-
Interest and rents	-	4,171	3,900
Other	7,394	-	3,244
TOTAL REVENUES	21,939	167,566	8,514
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	72,448	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	147,973	-	51,516
Capital outlay	26,233	2,376	5,229
Debt service	-	-	-
TOTAL EXPENDITURES	174,206	74,824	56,745
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(152,267)	92,742	(48,231)
OTHER FINANCING SOURCES (USES)			
Transfers in	172,829	-	35,612
Transfers out	-	(4,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	172,829	(4,000)	35,612
NET CHANGE IN FUND BALANCES	20,562	88,742	(12,619)
Fund balances (deficits), beginning of year	28,675	303,293	78,733
Fund balances (deficits), end of year	\$ 49,237	\$ 392,035	\$ 66,114

Revenue

Facilities and Land Acquisition	Friend of the Court	Family Counseling	Court Caseflow Assistance	Waste Management	Commission on Aging (9/30/06)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 527,597
-	-	7,710	-	-	-
-	36,173	-	-	-	456,304
-	-	-	-	-	-
-	15,330	-	-	291,745	249,465
-	-	-	-	-	-
21	335	-	-	-	-
-	96	-	-	-	18,705
21	51,934	7,710	-0-	291,745	1,252,071
-	36,599	8,153	-	-	-
-	-	-	-	-	-
-	-	-	-	251,524	-
-	-	-	-	-	1,313,871
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	166,566	3,187
-	-	-	-	-	5,925
-0-	36,599	8,153	-0-	418,090	1,322,983
21	15,335	(443)	-0-	(126,345)	(70,912)
-	-	-	-	-	-
-	(12,000)	-	-	(54,962)	-
-0-	(12,000)	-0-	-0-	(54,962)	-0-
21	3,335	(443)	-0-	(181,307)	(70,912)
1,448	8,233	5,989	14,932	406,976	208,936
\$ 1,469	\$ 11,568	\$ 5,546	\$ 14,932	\$ 225,669	\$ 138,024

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	Special		
	Human Services	Human Services Child Care	Traffic Safety
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental			
Federal/State	513,294	167,221	-
Local	-	-	-
Charges for services	-	-	45,667
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	513,294	167,221	45,667
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	64,411
Public works	-	-	-
Health and welfare	537,354	298,419	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	537,354	298,419	64,411
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,060)	(131,198)	(18,744)
OTHER FINANCING SOURCES (USES)			
Transfers in	20,250	150,000	-
Transfers out	-	(250)	-
TOTAL OTHER FINANCING SOURCES (USES)	20,250	149,750	-0-
NET CHANGE IN FUND BALANCES	(3,810)	18,552	(18,744)
Fund balances (deficits), beginning of year	65,447	14,751	98,163
Fund balances (deficits), end of year	\$ 61,637	\$ 33,303	\$ 79,419

Revenue

Veterans' Trust	Drug Law Enforcement	Remonumentation	Veterans' Memorial	Budget Stabilization	Victims' Rights Advocate (9/30/06)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
17,092	-	111,826	-	-	52,700
-	-	-	-	-	-
-	22,510	-	-	-	-
-	23,571	-	-	-	-
-	-	-	-	-	-
-	4,000	3,000	-	-	-
17,092	50,081	114,826	-0-	-0-	52,700
-	-	125,883	-	-	54,141
-	21,870	-	-	-	-
-	-	-	-	-	-
10,368	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,368	21,870	125,883	-0-	-0-	54,141
6,724	28,211	(11,057)	-0-	-0-	(1,441)
-	-	18,170	-	-	-
-	(40,000)	(1,000)	-	-	-
-0-	(40,000)	17,170	-0-	-0-	-0-
6,724	(11,789)	6,113	-0-	-0-	(1,441)
2,500	30,962	464	1,842	1,431,700	29,270
\$ 9,224	\$ 19,173	\$ 6,577	\$ 1,842	\$ 1,431,700	\$ 27,829

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

		Special	
	Community Corrections Advisory Board (9/30/06)	Community Correction Program (9/30/06)	Law Enforcement
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	97,110	-	286,292
Local	-	-	219,478
Charges for services	-	44,914	14,440
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	9,650
TOTAL REVENUES	97,110	44,914	529,860
EXPENDITURES			
Current			
General government	-	-	-
Public safety	112,639	40,558	553,691
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	112,639	40,558	553,691
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,529)	4,356	(23,831)
OTHER FINANCING SOURCES (USES)			
Transfers in	16,000	-	59,918
Transfers out	-	(16,000)	(9,538)
TOTAL OTHER FINANCING SOURCES (USES)	16,000	(16,000)	50,380
NET CHANGE IN FUND BALANCES	471	(11,644)	26,549
Fund balances (deficits), beginning of year	29,335	55,164	111,537
Fund balances (deficits), end of year	\$ 29,806	\$ 43,520	\$ 138,086

Revenue

Secondary Road Patrol (9/30/06)	Law Library	CDBG Housing	Sheriff's Justice Training	Child Care Probate	Board of Public Works Administration
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
106,533	-	67,513	6,418	91,001	-
-	-	-	-	-	-
-	-	300	-	-	-
-	6,500	-	-	-	-
-	-	-	-	-	-
539	-	-	-	18,729	-
107,072	6,500	67,813	6,418	109,730	-0-
-	14,169	-	-	-	-
142,567	-	-	4,744	-	-
-	-	-	-	-	-
-	-	-	-	337,068	-
-	-	74,012	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
142,567	14,169	74,012	4,744	337,068	-0-
(35,495)	(7,669)	(6,199)	1,674	(227,338)	-0-
31,812	6,000	-	-	249,500	-
-	-	-	-	(20,000)	-
31,812	6,000	-0-	-0-	229,500	-0-
(3,683)	(1,669)	(6,199)	1,674	2,162	-0-
16,405	7,135	117,558	10,599	(946)	10,777
\$ 12,722	\$ 5,466	\$ 111,359	\$ 12,273	\$ 1,216	\$ 10,777

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	Special		
	Animal Shelter Donation Fund	Cade Lake Park	Register of Deeds Automation
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	-	-	-
Local	-	-	-
Charges for services	-	37,015	78,033
Fines and forfeits	-	-	-
Interest and rents	-	-	2,128
Other	175	8,388	-
TOTAL REVENUES	175	45,403	80,161
EXPENDITURES			
Current			
General government	-	-	73,572
Public safety	180	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	41,903	-
Capital outlay	-	3,310	7,603
Debt service	-	-	-
TOTAL EXPENDITURES	180	45,213	81,175
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5)	190	(1,014)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	15,000	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	15,000	-0-
NET CHANGE IN FUND BALANCES	(5)	15,190	(1,014)
Fund balances (deficits), beginning of year	30,703	(8,673)	(75,012)
Fund balances (deficits), end of year	\$ 30,698	\$ 6,517	\$ (76,026)

Revenue			Capital Projects	Permanent	Total Nonmajor Governmental Funds
Local Corrections Officer's Training	Homeland Security	Principal Residence Denial	County Facilities Maintenance	Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 527,597
-	-	-	-	-	7,710
-	143,567	-	-	-	2,153,044
-	14,985	-	-	-	238,190
25,850	-	-	-	-	1,000,852
-	-	29,074	-	-	59,145
-	-	-	-	496	11,051
-	-	-	-	-	73,920
25,850	158,552	29,074	-0-	496	4,071,509
-	-	9,869	-	-	322,386
-	47,103	-	-	-	1,060,211
-	-	-	-	-	251,524
-	-	-	-	-	2,497,080
-	-	-	-	-	74,012
-	-	-	-	-	241,392
-	53,446	-	110,218	-	378,168
-	-	-	-	-	5,925
-0-	100,549	9,869	110,218	-0-	4,830,698
25,850	58,003	19,205	(110,218)	496	(759,189)
-	-	-	100,000	-	875,091
(8,808)	(59,918)	-	(15,000)	-	(241,476)
(8,808)	(59,918)	-0-	85,000	-0-	633,615
17,042	(1,915)	19,205	(25,218)	496	(125,574)
31,728	7,585	47,185	110,199	14,901	3,248,494
\$ 48,770	\$ 5,670	\$ 66,390	\$ 84,981	\$ 15,397	\$ 3,122,920

St. Joseph County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2006

	Forfeiture & Foreclosure	Inmate Store	Three Rivers Community Center (9/30/06)	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 101,225	\$ 12,833	\$ 14,862	\$ 128,920
Accounts receivable	41	593	-	634
Total current assets	101,266	13,426	14,862	129,554
Noncurrent assets				
Capital assets, net of accumulated depreciation	-	446	6,062	6,508
TOTAL ASSETS	101,266	13,872	20,924	136,062
LIABILITIES				
Current liabilities				
Accounts payable	-	185	953	1,138
Accrued liabilities	-	-	2,351	2,351
TOTAL LIABILITIES	-0-	185	3,304	3,489
NET ASSETS				
Invested in capital assets	-	446	6,062	6,508
Unrestricted	101,266	13,241	11,558	126,065
TOTAL NET ASSETS	\$ 101,266	\$ 13,687	\$ 17,620	\$ 132,573

St. Joseph County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2006

	Forfeiture & Foreclosure	Inmate Store	Three Rivers Community Center (9/30/06)	Total
OPERATING REVENUES				
Intergovernmental - local	\$ -	\$ -	\$ 2,134	\$ 2,134
Charges for services	142,781	20,472	-	163,253
Rents	-	-	40,920	40,920
Other	-	-	82	82
TOTAL OPERATING REVENUES	142,781	20,472	43,136	206,389
OPERATING EXPENSES				
Personal services	74,571	7,868	16,928	99,367
Operating supplies	-	7,253	25,212	32,465
Depreciation	-	23	1,523	1,546
TOTAL OPERATING EXPENSES	74,571	15,144	43,663	133,378
OPERATING INCOME (LOSS)	68,210	5,328	(527)	73,011
NONOPERATING REVENUES				
Interest revenue	796	-	-	796
CHANGE IN NET ASSETS	69,006	5,328	(527)	73,807
Net assets, beginning of year	32,260	8,359	18,147	58,766
Net assets, end of year	\$ 101,266	\$ 13,687	\$ 17,620	\$ 132,573

St. Joseph County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Forfeiture & Foreclosure	Inmate Store	Three Rivers Community Center (9/30/06)	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 142,761	\$ 21,642	\$ 41,002	\$ 205,405
Cash paid to suppliers	(74,571)	(7,324)	(25,354)	(107,249)
Cash receipts from local units	-	-	2,134	2,134
Cash paid to employees	-	(7,868)	(16,319)	(24,187)
NET CASH PROVIDED BY OPERATING ACTIVITIES	68,190	6,450	1,463	76,103
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital purchases	-	(469)	-	(469)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	796	-	-	796
NET INCREASE IN CASH AND CASH EQUIVALENTS	68,986	5,981	1,463	76,430
Cash and cash equivalents, beginning of year	32,239	6,852	13,399	52,490
Cash and cash equivalents, end of year	<u>\$ 101,225</u>	<u>\$ 12,833</u>	<u>\$ 14,862</u>	<u>\$ 128,920</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 68,210	\$ 5,328	\$ (527)	\$ 73,011
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	-	23	1,523	1,546
(Increase) decrease in accounts receivable	(20)	1,170	-	1,150
(Decrease) in accounts payable	-	(71)	(142)	(213)
Increase in accrued liabilities	-	-	609	609
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 68,190</u>	<u>\$ 6,450</u>	<u>\$ 1,463</u>	<u>\$ 76,103</u>

St. Joseph County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2006

	Agency Funds			Total
	Trust and Agency	Library	Inmate	
ASSETS				
Cash and cash equivalents	\$ 1,861,431	\$ 123,123	\$ 2,410	\$ 1,986,964
Due from other governmental units	316,897	-	-	316,897
TOTAL ASSETS	\$ 2,178,328	\$ 123,123	\$ 2,410	\$ 2,303,861
LIABILITIES				
Undistributed tax collections	\$ 1,674,293	\$ -	\$ -	\$ 1,674,293
Due to other governmental units				
Federal/State	96,402	-	-	96,402
Local	170	-	-	170
Due to individuals and agencies	407,463	123,123	2,410	532,996
TOTAL LIABILITIES	\$ 2,178,328	\$ 123,123	\$ 2,410	\$ 2,303,861

St. Joseph County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2006

	Debt Service			Capital
	Lamberson Dam	Fish Lake Drain	Portage Lake Drain	Long Lake Level-Fabius Revolving
ASSETS				
Cash and cash equivalents	\$ 31,702	\$ 3	\$ 19,353	\$ 4,257
Accounts receivable	13	48	-	-
Special assessments receivable	145,151	-	791,690	-
TOTAL ASSETS	\$ 176,866	\$ 51	\$ 811,043	\$ 4,257
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 23
Deferred revenue	77,500	-	690,302	-
Due to other governmental units - local	-	51	-	-
Short-term notes payable	-	-	-	-
TOTAL LIABILITIES	77,500	51	690,302	23
FUND BALANCES (DEFICITS)				
Fund balances				
Reserved for debt service	99,366	-	120,741	-
Unreserved				
Designated for capital expenditures	-	-	-	4,234
TOTAL FUND BALANCES (DEFICITS)	99,366	-0-	120,741	4,234
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 176,866	\$ 51	\$ 811,043	\$ 4,257

Projects						
Regular Drain	Klinger Lake Level Special Assessment	Revolving Drain	Palmer/ Long Lake Revolving	Eberhard Lake Level Special Assessment	Revolving Drain Maintenance	Grey Lake Study
\$ 359,481	\$ 50,002	\$ 56,528	\$ 64,566	\$ 4,267	\$ 8,883	\$ 1,249
-	-	-	-	-	-	-
164,364	-	-	58,038	-	-	-
<u>\$ 523,845</u>	<u>\$ 50,002</u>	<u>\$ 56,528</u>	<u>\$ 122,604</u>	<u>\$ 4,267</u>	<u>\$ 8,883</u>	<u>\$ 1,249</u>
\$ 72,670	\$ 1,788	\$ 4,233	\$ -	\$ -	\$ -	\$ -
11,557	-	-	-	-	-	-
-	-	-	-	-	-	-
-	80,000	-	-	-	-	-
84,227	81,788	4,233	-0-	-0-	-0-	-0-
-	-	-	-	-	-	-
439,618	(31,786)	52,295	122,604	4,267	8,883	1,249
439,618	(31,786)	52,295	122,604	4,267	8,883	1,249
<u>\$ 523,845</u>	<u>\$ 50,002</u>	<u>\$ 56,528</u>	<u>\$ 122,604</u>	<u>\$ 4,267</u>	<u>\$ 8,883</u>	<u>\$ 1,249</u>

St. Joseph County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2006

	Capital Projects		
	Minnewaukan Lake Study	Proposed Assessment District	Total
ASSETS			
Cash and cash equivalents	\$ 10,080	\$ 845	\$ 611,216
Accounts receivable	-	-	61
Special assessments receivable	-	-	1,159,243
TOTAL ASSETS	\$ 10,080	\$ 845	\$ 1,770,520
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ -	\$ 5,790	\$ 84,504
Deferred revenue	-	-	779,359
Due to other governmental units - local	-	68,728	68,779
Short-term notes payable	-	-	80,000
TOTAL LIABILITIES	-0-	74,518	1,012,642
FUND BALANCES (DEFICITS)			
Fund balances			
Reserved for debt service	-	-	220,107
Unreserved			
Designated for capital expenditures	10,080	(73,673)	537,771
TOTAL FUND BALANCES (DEFICITS)	10,080	(73,673)	757,878
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 10,080	\$ 845	\$ 1,770,520

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2006

Total fund balance - governmental funds \$ 757,878

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 2,410,431	
Accumulated depreciation is	<u>(402,151)</u>	
Capital assets, net		2,008,280

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Bonds and loans payable	1,232,953	
Accrued interest payable	<u>21,457</u>	
		<u>(1,254,410)</u>

Net assets of governmental activities \$ 1,511,748

St. Joseph County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2006

	Debt Service		Portage	Capital
	Lamberson	Fish Lake	Lake	Long Lake
	Dam	Drain	Drain	Level-Fabius
				Revolving
REVENUES				
Intergovernmental - local	\$ -	\$ -	\$ -	\$ -
Interest	339	2	701	161
Other				
Special assessments	73,323	-	131,883	-
Other	-	-	-	-
TOTAL REVENUES	73,662	2	132,584	161
EXPENDITURES				
Current				
Public works	-	19,080	-	1,923
Debt service				
Principal redemption	77,500	-	39,237	-
Interest and fees	9,582	-	13,202	-
TOTAL EXPENDITURES	87,082	19,080	52,439	1,923
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,420)	(19,078)	80,145	(1,762)
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Transfers out	-	-	-	-
Note proceeds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	(13,420)	(19,078)	80,145	(1,762)
Fund balances (deficits), beginning of year	112,786	19,078	40,596	5,996
Fund balances (deficits), end of year	\$ 99,366	\$ -0-	\$ 120,741	\$ 4,234

Projects						
Regular Drain	Klinger Lake Level Special Assessment	Revolving Drain	Palmer Long Lake Revolving	Eberhard Level Special Assessment	Revolving Drain Maintenance	Grey Lake Level Study
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17,368	17	2,236	1,944	136	270	37
142,038	-	-	65,948	-	-	-
21	-	2,441	-	-	-	-
159,427	17	4,677	67,892	136	270	37
538,540	5,467	46,004	76,089	299	-	-
-	-	-	-	-	-	-
837	1,204	-	-	-	-	-
539,377	6,671	46,004	76,089	299	-0-	-0-
(379,950)	(6,654)	(41,327)	(8,197)	(163)	270	37
-	-	33,314	-	-	-	-
(33,314)	-	-	-	-	-	-
427,000	-	-	-	-	-	-
393,686	-0-	33,314	-0-	-0-	-0-	-0-
13,736	(6,654)	(8,013)	(8,197)	(163)	270	37
425,882	(25,132)	60,308	130,801	4,430	8,613	1,212
\$ 439,618	\$ (31,786)	\$ 52,295	\$ 122,604	\$ 4,267	\$ 8,883	\$ 1,249

St. Joseph County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2006

	Capital Projects		
	Minnewaukan Lake Study	Proposed Assessment District	Total
REVENUES			
Intergovernmental - local	\$ 10,000	\$ -	\$ 10,000
Interest	80	26	23,317
Other			
Special assessments	-	-	413,192
Other	-	-	2,462
TOTAL REVENUES	10,080	26	448,971
EXPENDITURES			
Current			
Public works	-	24,631	712,033
Debt service			
Principal redemption	-	-	116,737
Interest and fees	-	-	24,825
TOTAL EXPENDITURES	-0-	24,631	853,595
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,080	(24,605)	(404,624)
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	33,314
Transfers out	-	-	(33,314)
Note proceeds	-	-	427,000
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	427,000
NET CHANGE IN FUND BALANCES	10,080	(24,605)	22,376
Fund balances (deficits), beginning of year	-	(49,068)	735,502
Fund balances (deficits), end of year	\$ 10,080	\$ (73,673)	\$ 757,878

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2006

Net change in fund balances - total governmental funds \$ 22,376

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 602,428	
Depreciation expense	<u>(50,151)</u>	552,277

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	\$ (427,000)	
Debt principal retirements	<u>116,737</u>	(310,263)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	<u>(15,461)</u>
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Change in net assets of governmental activities \$ 248,929

St. Joseph County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2006

	Debt			
	Constantine Village Sewer	Lockport Water Supply System	White Pigeon Village Klinger Lake Sewer System	Fish Lake Sewer System
ASSETS				
Cash and cash equivalents	\$ -0-	\$ -0-	\$ -0-	\$ 32
LIABILITIES AND FUND BALANCES				
LIABILITIES	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Fund balances				
Reserved for debt service	-	-	-	32
Unreserved				
Designated for capital expenditures	-	-	-	-
TOTAL FUND BALANCES	-0-	-0-	-0-	32
TOTAL LIABILITIES AND FUND BALANCES	\$ -0-	\$ -0-	\$ -0-	\$ 32

Service			Capital Projects	
White Pigeon Village Klinger Lake Sewer Extension	Constantine Waste Water System	White Pigeon Extension Water System	Constantine Village Sewer System Construction	Total
\$ 318	\$ -0-	\$ -0-	\$ 41	\$ 391
\$ -	\$ -	\$ -	\$ -	\$ -0-
318	-	-	-	350
-	-	-	41	41
318	-0-	-0-	41	391
\$ 318	\$ -0-	\$ -0-	\$ 41	\$ 391

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

December 31, 2006

Total fund balance - governmental funds	\$	391
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds.

Long-term receivables at year-end consist of:

Lease receivable	4,003,207
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Accrued interest payable	\$ 64,832	
Direct county obligations	<u>3,938,375</u>	
		<u>(4,003,207)</u>

Net assets of governmental activities	\$	<u>391</u>
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St. Joseph County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2006

	Debt		
	Constantine Village	Lockport Water Supply System	White Pigeon Village Klinger Lake Sewer System
REVENUES			
Intergovernmental - local	\$ 99,805	\$ 28,828	\$ 106,625
EXPENDITURES			
Debt service			
Principal	30,000	15,000	101,625
Interest and fiscal charges	69,805	13,828	5,000
TOTAL EXPENDITURES	99,805	28,828	106,625
NET CHANGE IN FUND BALANCES	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-

	Service			Capital Projects	
Fish Lake Sewer System	White Pigeon Village Klinger Lake Sewer Extension	Constantine Waste Water System	White Pigeon Extension Water System	Constantine Village Sewer System Construction	Total
\$ 78,479	\$ 44,821	\$ 126,088	\$ 18,925	\$ -	\$ 503,571
47,970	27,030	70,000	10,000	-	301,625
30,509	17,491	56,088	8,925	-	201,646
78,479	44,521	126,088	18,925	-0-	503,271
-0-	300	-0-	-0-	-0-	300
32	18	-	-	41	91
\$ 32	\$ 318	\$ -0-	\$ -0-	\$ 41	\$ 391

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2006

Net change in fund balances - total governmental funds	\$	300
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Amounts reported for governmental activities in the statement of activities are different because:

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Principal retirements - notes	301,625
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	9,130	
(Decrease) in lease receivables	<u>(310,755)</u>	
		<u>(301,625)</u>

Change in net assets of governmental activities	\$	<u>300</u>
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St. Joseph County, Michigan

Component Unit Funds

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2006

	<u>Special Revenue</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 37,490
Due from other governmental units - Federal/State	<u>10,834</u>
TOTAL ASSETS	<u><u>\$ 48,324</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 13,334
Accrued liabilities	<u>837</u>
TOTAL LIABILITIES	14,171
FUND BALANCE	
Fund balance	
Unreserved	
Undesignated	<u>34,153</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 48,324</u></u>

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2006

Total fund balance - governmental fund \$ 34,153

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is
Accumulated depreciation is

8,254
(6,791)

Capital assets, net

1,463

Net assets of governmental activities

\$ 35,616

St. Joseph County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2006

	<u>Special Revenue</u>
REVENUES	
Intergovernmental	
Federal / State	\$ 141,595
Local	50,338
Interest	757
Other	
Contributions from local units	355
Miscellaneous	<u>28,881</u>
TOTAL REVENUES	221,926
EXPENDITURES	
Community and economic development	
Salaries and wages	50,639
Contracted services	118,967
Fringe benefits	23,826
Supplies	659
Utilities	1,035
Miscellaneous	<u>7,126</u>
TOTAL EXPENDITURES	<u>202,252</u>
NET CHANGE IN FUND BALANCE	19,674
Fund balance, beginning of year	<u>14,479</u>
Fund balance, end of year	<u><u>\$ 34,153</u></u>

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2006

Net change in fund balance - governmental fund	\$ 19,674
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year this amount was

Depreciation expense	<u>(766)</u>
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Change in net assets of governmental activities	<u>\$ 18,908</u>
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Principals

Dale J. Abraham, CPA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
St. Joseph County
Centreville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of St. Joseph County, Michigan as of and for the year ended December 31, 2006, and have issued our report thereon dated June 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Joseph County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting.

2006-1 NET ASSET RESTATEMENT

Condition: As indicated in the basic financial statements, material amounts were recorded as an adjustment to the prior period in the current year to correct an understatement of capital assets in the Drainage District (Component Unit) Funds.

Criteria: This error was not detected by the County's internal control over financial reporting in the prior year.

Effect: The prior year financial statements contained a material understatement of capital assets that was not detected by management.

Recommendation: We recommend the County review procedures in the areas where this error was noted and take steps to ensure that there is no recurrence of similar issues.

2006-1 NET ASSET RESTATEMENT - CONTINUED

Corrective Action Response: Management of the County is currently reviewing procedures related to identification and correction of potential errors in the financial statements.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of St. Joseph County in a separate letter dated June 4, 2007.

The County's response to the finding identified in our audit is described above. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners of St. Joseph County, others within the County, the pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 4, 2007

St. Joseph County, Michigan

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

December 31, 2006

St. Joseph County, Michigan

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Principals

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Michael T. Gaffney, CPA
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
of St. Joseph County
Centreville, Michigan

Compliance

We have audited the compliance of St. Joseph County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended December 31, 2006. St. Joseph County's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal program is the responsibility of St. Joseph County's management. Our responsibility is to express an opinion on St. Joseph County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about St. Joseph County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of St. Joseph County's compliance with those requirements.

In our opinion, St. Joseph County complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The management of St. Joseph County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered St. Joseph County's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of St. Joseph County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of St. Joseph County as of and for the year ended December 31, 2006, and have issued our report thereon dated June 4, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise St. Joseph County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of St. Joseph County, others within the County, the pass-through grantors, and the Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Abraham & Gaffney, P.C." in a cursive, stylized font.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 4, 2007

St. Joseph County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed through Michigan State Housing Development Authority Community Development Block Grant (CDBG) Program State's Program 03/06 (Housing)	14.228	MSC-2002-1067-HOA	\$ 275,000	\$ 211,941	\$ 62,263
U.S. DEPARTMENT OF JUSTICE Passed through Michigan Department of Human Services Juvenile Accountability Incentive Block Grant 2005 JAIBG	16.523	JAIBG-05-75001	11,783	4,843	6,913
Juvenile Justice and Delinquency Prevention 2006 Basic Grant	16.540	N/A	15,000	-	15,000
Direct Programs Secure Our Schools COPS Fast	16.710	2005CKWX0557 1995CFWX2271	260,000 <u>375,000</u>	- <u>-</u>	260,000 <u>26,292</u>
			635,000	-0-	286,292
U.S. DEPARTMENT OF TRANSPORTATION Passed through Michigan Department of State Police Office of Highway Safety Planning 2006 State and Community Highway Safety 2006 MACP Award Grant	20.600	PT-06-14 PT-06-91	29,245 <u>2,000</u>	- <u>-</u>	29,245 <u>2,000</u>
			31,245	-0-	31,245

St. Joseph County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY (Direct Program) Brownfields Assessments and Cleanup Cooperative Agreements	66.818	BF-96552901	\$ 400,000	\$ 8,093	\$ 141,595
U.S. DEPARTMENT OF HOMELAND SECURITY Passed through Michigan Department of Natural Resources Boating Safety Financial Assistance	97.012	N/A	10,000	-	10,000
Passed through Michigan State Police State Homeland Security ^(e) 2004 HSGP	97.004	N/A	22,000	-	22,000
Homeland Security Grant Program FY06 EMPG 2005-HSGP-SHSP & LETPP ^(e)	97.042 97.067	N/A	24,871 <u>268,357</u>	- <u>78,096</u>	24,871 <u>121,567</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through State Department of Office on Services to the Aging and Region IIIC Area Agency on Aging Title IIID Special Programs for the Aging FY05/06 Disease Prevention	93.043	N/A	4,000	-	4,000
Title IIIB Special Programs for the Aging ^(d) FY05/06	93.044	N/A	44,794	-	44,794
Title IIIC Special Programs for the Aging ^(d) FY05/06 Nutrition Congregate FY05/06 Nutrition Home Delivered Meals	93.045	N/A N/A	80,712 <u>35,359</u>	- <u>-</u>	80,712 <u>35,359</u>
			116,071	-0-	116,071

St. Joseph County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED					
Passed through State Department of Office on Services to the Aging and Region IIIC Area Agency on Aging - continued	93.052	N/A	\$ 21,337	-	\$ 20,031
National Family Caregiver Support FY05/06					
Nutrition Services Incentive Program ^(d)	93.053	N/A	29,498	-	29,498
05/06 Elderly Feeding (Congregate)		N/A	22,948	-	22,948
05/06 Elderly Feeding (Home Delivered Meals)			52,446	-0-	52,446
Child Support Enforcement ^(c)					
(Title IV-D)	93.563				
Cooperative Reimbursement - Friend of the Court ^(a)		CS/FOC-07-75001	526,662	-	109,962
06/07		CS/FOC-06-75001	516,561	116,868	334,813
05/06					
Cooperative Reimbursement - Prosecuting Attorney ^(a)		CS/PA-07-75002	100,172	-	16,029
06/07		CS/PA-06-75002	82,216	23,720	64,478
05/06					
Medical Support Collection - ^(a)					
Friend of the Court FY06/07		CS/MED-07-75001	21,198	-	5,080
Friend of the Court FY05/06		CS/MED-06-75001	21,332	4,749	13,785
Incentive Payments ^(b)					
2006 Regular		N/A	114,750	-	114,750
Passed through Michigan Supreme Court State Court Administrative Office 2006 Access and Visitation	93.597	SCAO-06-066	1,382,891	145,337	658,897
			20,000	-	17,308
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 3,334,795	\$ 448,310	\$ 1,635,293

St. Joseph County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2006

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of St. Joseph County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements that are reconciled in Note C.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a)-(e) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State Department of Human Services. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of total contract expenditures.
- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (c) Denotes programs tested as "major programs".
- (d) Programs considered a cluster by the U.S. Department of Health and Human Services.
- (e) Programs considered a cluster by the U.S. Department of Homeland Security.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the December 31, 2006, Basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
CRP - Prosecuting Attorney	\$ 82,785	\$(2,278)	\$ -	\$ 80,507
FOC - CRP & Incentive	564,355	(4,830)	-	559,525
Juvenile Accountability	6,913	-	-	6,913
Marine Safety Grant	52,556	(42,556)	-	10,000
Highway Safety Planning	31,245	-	-	31,245
Emergency Management Assistance	24,871	-	-	24,871
Other Programs	<u>1,016,684</u>	<u>(1,016,684)</u>	<u>-</u>	<u>-0-</u>
TOTAL GENERAL FUND	1,779,409	(1,066,348)	-0-	713,061

St. Joseph County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2006

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
SPECIAL REVENUE FUNDS				
Friend of the Court	\$ 36,173	\$ -	\$ -	\$ 36,173
Commission on Aging	456,304	(218,962)	-	237,342
CDBG - Housing	67,513	(5,250)	-	62,263
Child Care Probate	91,001	(76,001)	-	15,000
Homeland Security Fund	143,567	-	-	143,567
Law Enforcement	286,292	-	-	286,292
Other Programs	<u>1,072,194</u>	<u>(1,072,194)</u>	<u>-</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	2,153,044	(1,372,407)	-0-	780,637
COMPONENT UNIT FUNDS				
Economic Development Corporation	<u>141,595</u>	<u>-</u>	<u>-</u>	<u>141,595</u>
	<u>\$ 4,074,048</u>	<u>\$(2,438,755)</u>	<u>\$ -0-</u>	<u>\$ 1,635,293</u>

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
of St. Joseph County
Centreville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of St. Joseph County, Michigan as of and for the year ended December 31, 2006, and have issued our report thereon dated June 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Joseph County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. The results of our tests disclosed a deficiency that we consider to be a significant deficiency in internal control over financial reporting as described in the accompanying schedule of findings and questioned costs as 2006-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described in the accompanying schedule of findings and questioned costs is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of St. Joseph County in a separate letter dated June 4, 2007.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners of St. Joseph County, others within the County, the pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 4, 2007

St. Joseph County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? X Yes _____ None reported

Noncompliance material to financial statements noted? X Yes _____ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.563	Child Support Enforcement (Title IV-D)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

2006-1 NET ASSET RESTATEMENT

Condition: As indicated in the basic financial statements, material amounts were recorded as an adjustment to the prior period in the current year to correct an understatement of capital assets in the Drainage District (Component Unit) Funds.

Criteria: This error was not detected by the County's internal control over financial reporting in the prior year.

Effect: The prior year financial statements contained a material understatement of capital assets that was not detected by management.

Recommendation: We recommend the County review procedures in the areas where this error was noted and take steps to ensure that there is no recurrence of similar issues.

St. Joseph County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2006

Section II - Financial Statement Findings - continued

2006-1 NET ASSET RESTATEMENT - CONTINUED

Corrective Action Response: Management of the County is currently reviewing procedures related to identification and correction of potential errors in the financial statements.

Section III - Federal Award Findings and Questioned Costs

None

St. Joseph County, Michigan
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2006

No findings or questioned costs were reported in the prior year.

Principals

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MANAGEMENT LETTER

To the Board of Commissioners
of St. Joseph County
Centreville, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of St. Joseph County, Michigan, for the year ended December 31, 2006. In connection with the audit, we feel that a certain change in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. This suggestion is a result of our evaluation of the internal control structure and our discussions with management.

The County should review the status of individual fund balances (deficits) near year-end.

As noted in the basic financial statements, the County had three (3) funds that ended the year in a deficit financial position. Those funds were the Register of Deeds Automation, Proposed Assessment District, and Klinger Lake Level Special Assessment. A similar issue was noted and reported in our audit comments last year.

Public Act 275 of 1980 requires local units of government that end its fiscal year in a deficit condition to formulate and file a financial plan within 90 days after the beginning of the fiscal year to correct the condition. The local unit of government shall file the financial plan with the Department of Treasury for evaluation and certification that the plan ensures that the deficit condition is corrected. Upon certification by the Department of Treasury, the local unit of government shall institute the plan.

We suggest the County review the status of individual funds near year-end and make appropriate adjustments when possible to eliminate deficits. We also suggest the County assure that their previously approved deficit reduction plans are still applicable for these funds to assure these deficits will be eliminated as planned.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements, dated June 4, 2007.

This report is intended solely for the use of management and the Board of Commissioners of St. Joseph County, and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 4, 2007